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Frankfurt

FINANCIAL TIMES

Olivetti PC

Struggling to regain credibility

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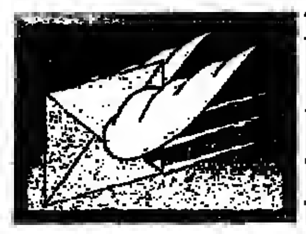
France's finances

'The pass is narrow, but...there is a pass'

The FT interview, Page 13



E-mail

Reliable and secure system needed soon

Technology, Page 10

Kazakhstan

Guarded optimism over oil revenues

Survey, Separate section

World Business Newspaper http://www.FT.com WEDNESDAY JULY 23 1997

New challenge for Guinness merger with GrandMet

LVMH chairman Bernard Arnault stepped up his drive to make Guinness and GrandMet recast their £24bn ($40.08bn) merger by acquiring enough shares in GrandMet to call an extraordinary meeting of shareholders. Mr Arnault has suggested a three-way merger of the wines and spirits businesses of Guinness and GrandMet with the Moet Hennessy subsidiary of LVMH. Page 15

Malaysian PM attacks George Soros

Malaysian prime minister Mahathir Mohamad (left), back in the country after two months abroad, condemned a "certain powerful American financier" for politically motivated speculative attacks on south-east Asian currencies. His statement left little doubt that he was referring to George Soros. Malaysia's central bank paid heavily in its battle with speculators. It said its foreign exchange reserves fell by 12.5 per cent to M$61.9bn ($23.8bn) from M$70.7bn in the first half of July. Page 14 and Lex

Gazprom tightens screw on Ukraine: Russian gas monopoly Gazprom cut supplies to Ukraine by 16 per cent in an ettempt to force payment of overdue bills. The company has been in dire straights since being forced to a pay a tax debt of $3bn. Page 3

Andersen puts Briton in top post: International accountancy and professional services firm Arthur Andersen is to appoint Jim Wadia, 49, head of its UK practice, as its first non-American worldwide managing partner. Page 15

Russia may open markets: Russia is to put forward plans to open its markets to foreign competition, a big step forward in its bid to join the World Trade Organisation next year. Page 4

Japan set to snub US on Cambodia: Japan said it was likely to ignore Washington's hardline approach to the political turmoil in Cambodia and recognise the successor to ousted co-premier Prince Norodom Ranariddh. Page 7

Kia refused full funding: South Korean banks refused to meet the full funding requested by the Kia group, the country's third largest carmaker, after the company came close to bankruptcy. Page 15

Tokyo plans new corruption penalties: Japan plans to introduce new penalties for corporate corruption after a recent spate of scandals at companies including Nomura, Japan's largest securities company. Page 7

Roth close to top Asia post: Stanley Roth, a former deputy assistant secretary of defence, looks likely to get the US State Department's top job in Asia after he was well received by the Senate Foreign Relations Committee in the hearing on his nomination. Page 6

China's growth at 9.5%: China reported economic growth of 9.5 per cent in the first half of this year after an exports surge drove the gross domestic product well ahead of the government's target. Page 7

Flood village evacuated: A flood-threatened village in the Oder valley in Germany was evacuated whila in Poland, troops and volunteers struggled to repair dykes. Floods have killed at least 60 people in Poland and 48 in the Czech Republic. Page 2; Observer, Page 13

Hong Kong's legislature challenged: A court hearing in Hong Kong challenged the legitimacy of Hong Kong's provisional legislature. The Beijing-backed body replaced a democratically elected legisisture when China resumed sovereignty on July 1. Page 7

New PM for Papua New Guinea: Port Moresby governor Bill Skate was elected prime minister of Papua New Guinea, defeating former premier Sir Michael Somare. Page 7

Venezuela hits phone operators: Venezuela's two cellular telephone operators were banned from taking on customers until their service was improved. Page 6

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STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	7934.59	(+27.87)
NASDAQ Composite	1544.31	(+8.08)
Europe and Far East		
CAC40	2921.13	(+47.01)
DAX	4230.42	(+122.02)
FTSE 100	4848.7	(+41.0)
Nikkei	20,157.02	(-92.30)

US LUNCHTIME RATES

Federal Funds	5⅞%
3-mth Treas Bills: Yld	5.228%
Long Bond	101⅞
Yield	6.512%

OTHER RATES

UK: 3-mo Interbank	7⅛	(same)
UK: 10 yr Gilt	101⅝	(101¾)
France: 10 yr OAT	100.79	(100.48)
Germany: 10 yr Bond	103.44	(103.13)
Japan: 10 yr JGB	105.365	(104.922)

NORTH SEA OIL (Argus)

Brent Dated	$18.44	(18.14)

GOLD

New York: Comex (Jul)	$325.3	(325.5)
London: close	$326.00	(325.75)

DOLLAR

New York: lunchtime		
£	1.67735	
DM	1.8170	
FFr	6.1265	
SFr	1.48155	
Y	115.4	
London:		
£	1.6767	(1.678)
DM	1.8127	(1.7984)
FFr	6.1084	(6.0845)
SFr	1.4893	(1.4763)
Y	115.615	(115.84)
Tokyo close:	Y 118.16	

STERLING

DM	3.0394	(3.0142)

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US company offers to drop exclusivity clauses in supply contracts

Boeing, Brussels near to deal

By Emma Tucker in Brussels, Michael Skapinker in London, and Bruce Clark in Washington

Hopes for a settlement of the dispute between the European Commission and Boeing rose sharply yesterday after the US company offered to drop the exclusivity clauses in supply deals it has signed with three US airlines.

Boeing's last-minute concession could pava the way for the European Commission to approve today the planned merger between Boeing and McDonnell Douglas and avert a transatlantic trade war.

But the controversial deal still faces opposition from some inside the Brussels executive which will be asked by Mr Karel Van Miert, the competition commissioner, to endorse the deal today.

There ware signs the two French commissioners, under pressure from the French government and Airbus, will oppose the Boeing offer.

The climate of negotiations was transformed yesterday when Boeing sent a fax to Mr Van Miert.

It came as political leaders on both sides of the Atlantic sought frantically to prevent the Commission from outlawing the merged company in Europe – a move which would have triggered quick retaliation from the US.

President Bill Clinton said Boeing had offered a "good faith" resolution to the deadlock. "Our main concern is that only the anti-trust considerations play a role in the position, and we do everything we can to avoid e more political decision which would lead to an unfortunate trade conflict between the US and Europe."

Mr Klaus Kinkel, Germany's foreign minister, said he had discussed the issue with Ms Madeleina Albright, tba US secretary of state, by telephone on Monday. "We cannot in any case let a trade war happen just because the concerned parties have little notion of reality," he said.

Mr Van Miert took the opportunity of a meeting of foreign ministers in Brussels to outline the content of the Boeing offer to the 15 EU governments.

Mr Robin Cook, UK foreign secretary, said after the meeting that a deal was a "very real possibility".

The offer by Boeing to scrap the exclusivity clauses of 20-year supply deals signed with American, Continental and Delta airlines, met the last of three critical competition concerns set out by Mr Van Miert during his five-month investigation of the $14bn tie-up.

He was worried that the contracts closed off too much of the market for too loug to rival aircraft manufacturer Airbus Industrie, the European consortium. He had rejected Boeing's earlier offer to cut the length of the deals to 13 years.

Boeing's refusal to improva its concessions prompted a preliminary decision from Mr

Continned on Page 14
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EU row over paying for enlargement

By Lionel Barber in Brussels

European Union foreign ministers disagreed openly with each other yesterday over how to pay for the EU's enlargement into central and eastern Europe and how many countries to admit in the next wave.

Mr Robin Cook, UK foreign secretary, warned his 14 fellow foreign ministers that enlargement could not be done on the cheap.

He seid that "serious" reforms of the Common Agricultural Policy and regional aid budget would be needed, assuming that EU governments followed the European Commission's plans for no real increase in EU spending between 2000 and 2006.

But Mr Abel Matutes, Spanish foreign ministar, said enlargement could proceed only if EU governments respected the rights and obligations of the present 15 members which include the CAP.

Mr Theodoros Pangalos, Greek foreign minister, said that, with the exception of Cyprus, the applicants had "very little experience of democracy, and even less experience of a market economy".

Last week, the European Commission unveiled a 1,300-page blueprint on enlargement which proposed maintaining tha present ceiling on EU spending et 1.27 per cent of EU gross domestic product.

Most EU governments pay lip-service to this figure. But divisions over the costs of enlargement surfaced at the Brussels meeting, notably between Germany, the biggest net contributor, and Spain, the champion of the net recipients.

Mr Klaus Kinkel, German foreign minister, served notice that tbe Bonn government would demand a cut in Germany's payments to the next EU budget. "The future burden-sharing (in the EU) must be fairer," he said.

The German finance ministry has worked out a plan in whicb member states' net contributions would be capped at certain percentages of GDP, which would reflect different levels of national wealth and the cost of German unification.

Mr Cook, keen to avoid a squabble over money, insisted that EU expansion eastwards would boost trade and increase security and political stability. "It is not simply an act of altruism, it serves very much our own interests."

Last week, the Commission proposed opening accession negotiations to the Czech Republic, Hungary, Poland, Estonia, Slovenia and Cyprus. Those deemed not ready were Bulgaria, Latvia, Lithuania, Romania, and Slovakia.

Most countries, notably France, Germany and the UK, backed the proposal. But others, such as Denmark and Italy, thought negotiations should be opened with all the applicant countries.

New Middle East peace hopes

Palestinian leader Yassir Arafat (left) and Israeli foreign minister David Levy, at their meeting yesterday in Brussels. They said they had agreed to relaunch peace talks. Report, Page 14; Editorial Comment, Page 13

Picture: Reuter

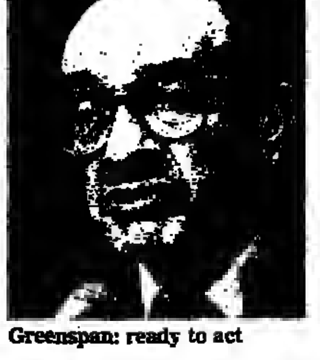
US Federal Reserve chief warns over interest rates

By Gerard Baker in Washington

Mr Alan Greenspan, chairman of the US Federal Reserve, sounded another strong warning yesterday that the current benign combination of robust growth and low inflation in the US economy was likely to prove temporary. He said the Fed stood ready to raise interest rates at tha first sign of accelerating prices.

Presenting his semi-annual Humphrey-Hawkins report to the US congress on the state of the economy, Mr Greenspan said recent performance had been "exceptional". The current expansion was the third longest since 1945; yet, in contrast to tbe typical business cycle, measured inflation was now lower than when tha expansion began.

But the Fed's policymakers had been "puzzled" by the subdued nature of inflation in spite of an unemployment rate currently near a 25-year low,



Greenspan: ready to act

he said. "With considerable momentum behind the expansion and labour market utilisation rates unusually high, the Federal Reserva must be alert to tha possibility thet additional action might be called for to forestall excessive credit creation."

Financial markets reacted positively to Mr Greenspan's prepared remarks, relieved that they did not contain any explicit reference to concerns about stock prices. Shortly after he began speaking, tha Dow Jones Industrial Average jumped 85 points to 8054.

His presentation included the Fed'a latest economic forecasts for this year and next. It forecast overall growth this year to be 3-3.25 per cent, up from last year's 2.4 per cent. But the rate of consumer price inflation is now expected to he slower than expected. The consumer price index was forecast to rise 2.25-2.5 per cent this year, compared with a projection of 2.75-3 per cent.

In March tha Fed raised short-term interest rates by 0.25 points, the first rise for two years, as output surged in the first quarter at an annual rate of 5.9 per cent. The growth rate slowed to about 2.5 per cent in the second quarter, reducing inflationary pressures, but Mr Greenspan said this could be reversed in the current quarter.

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BAT in $1.71bn Mexican cigarette venture

By Ross Tieman in London and Leslie Crawford in Mexico City

BAT Industries of the UK, one of the world's largest tobacco groups, is bnying back control of Cigarrera La Moderna, Mexico's biggest cigarette maker, for $1.71bn.

BAT had gradually sold its bnlding in Cigarrera in the 1970s and 1980s under pressure from laws hostile to foreign investment, and finally divested its remaining 45 per cent holding to Empresas La Moderna, a holding company contrnlled by Mr Alfonso Romo, in 1989 for just $80m. In a deal signed yesterday, BAT agreed to pay ELM $1,71bn for 50 per cent of the cigarette business and an option to cancel the remaining shares et no additional cost.

The re-purchase comes three and a half years after Mexico signed the North American Free Trade Agreement, giving foreigners equal treatment with Mexican investors in most sectors of the economy.

BAT's purchase of Cigarrera will be the largest foreign investment in Mexico. Earlier this month the US tobacco group Pbilip Morris paid $400m to lift its stake in CLM's cbief rival, Cigatam, from 29 per cent to 50 per cent.

CLM claims 53 per cent of the Mexican cigarette market, whicb with annual consumption of 47bn cigarettes ranks 15th by size in the world. Cigatam has an estimated 45 per cent.

Tbe purchase will add around five percentage points to operating profits from the BAT tobacco business worldwide, wbich last year totalled £1.6bn, some 65 per cent of the group total. The company said the acqnisition wonld be earnings-neutral in its first full year, 1998.

The deal appears to reduce tbe likelihood of an early demerger of BAT's financial services businesses, beaded by Farmers in the US and Eagle

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LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

First evacuation in Germany ordered as floods wreak havoc across Europe

Helmnt Kohl (left) crosses a flooded street in Frankfurt an der Oder while a soldier (right) works to protect the village of Ratzdorf against the rising waters of the River Oder AP and Reuter

Fight against time to put up defences

By Peter Norman in Bonn

German anthorities yesterday ordered the first evacuation of a flood-threatened village in the Oder valley, while on Poland's side of the border troops and volonteers fought against time to repair dykes and prevent furtber damage to the city of Wroclaw.

In tbe Czecb Repnblic, where the Morsva river has burst its banks and caused havoc in more than 500 towns and villages, flood alerts remained in force but meteorologists said better weather was in store and water levels were falling. The floods in central Europe, ooe of tbe continent's worst natural disasters of this century, have killed at least 60 people in Poland and 48 in the Czech Republic since the summer downpours started in early July.

The 130 inhabitants of Aurith, a German village lying a few kilometres north of the confluence of the Oder and Neisse rivers, were helped to safer ground as rising waters threatened to breach the embankments protecting low land next to the river. At the nearby border city of Frankfurt an der Oder, Chancellor Helmnt Kobl talked to volunteers and army personnel who have been working to strengthen flood defences. He was told that the river was twice its normal width and only a few centimetres below its all-time high, recorded in 1930. At Ratzdorf, where the Oder and Neisse meet, officials prepared for a record flood after more rains in south-eastern Germany and Poland. Further north, farmers began moving livestock from the Oderbruch region to higher ground.

Ahont 3,500 Bundeswehr soldiers have been drafted into flood-threatened areas. According to one estimate, abont 1.5m sandbags have been used to strengthen the banks on the German side of the Oder and Neisse rivers, whicb mark the German-Polish border. However, some dykes are about 400 years old and may be vulnerable. "No-one can say for sure what will happen," said Mr Kohl.

Poland offered loans to ease strain

By Christopher Bobinski in Warsaw and Anatol Lieven in London

Poland bas been offered emergency reconstruction loans worth $300m each by the World Bank and the European Investment bank to cope with this month's floods.

Experts say the disaster looks set to inflict 3.4bn zlotys ($1bn) in damage to the economy.

In tbe Czecb Republic, where floods have affected one-third of the country, the ministry of trade and industry estimated on Monday that the total cost to industry and the retail sector would be as much as Kč25bn ($729m).

Another 10,000 people were evacuated yesterday from the area around the River Elbe, and a state of emergency remained in force in tbe country's third biggest city, Ostrava.

Czecb infrastructure and communications bave suffered at least Kč5.5bn in damage. Fifteen bridges and 946km of railway track have been destroyed.

Professor Jan Svejnar, of the Cerge-EI economic institute in Prague, said that be believed total losses to the economy could go as high as Kč200bn.

It has been impossible to make an accurate estimate of the damage to agriculture, becausa most of the land affected is still under water, but the state veterinary service said last week that 135,284 animals had been reported drowned.

The Czecb government has so far allocated a total of Kč11bn to deal with tbe disaster, including Kč1.2bn for immediate repairs to communications, scheduled to be completed by the end of August.

Parliament bas given its authorisation for Kč5bn to be drawn from the funds of the National Property Fund. Anotber Kč5bn are to be raised by an issue of five-year domestic bonds, to yield 12.5 per cent in the first year, and thereafter 2.5 points above the inflation rate.

The Czech finance ministry has said that the additional spending required will make it impossible to achieve the previous goal of balancing the budget this year. Officials expect the deficit to be at least Kč10bn.

Mr Marek Belka, Poland's finance minister, said yesterday that talks on the World Bank and EU loans were continuing, but that tbe foreign currency borrowing budget limit meant that Poland could draw on no more than $350m this year.

If agreement were reacbed on taking the loans, be said, they would also be used to finance reconstruction next year.

An estimated 45,000 Polish bomes have suffered severe damage, and water covered 550,000 bectares at its peak. The flooding is expected to cut Poland's annual 24m tonne grain barvest by 600,000 tonnes.

As the flood wave on the Oder river approached the Baltic port of Szczecin yesterday, 230,000 bectares of Polish land remained under water. About 65,000 of the 143,300 people evacuated at the height of tbe flooding have yet to return bome. Out of 1,172 towns and villages which were originally flooded, 326 remain swamped.

The Polisb government's preliminary reconstruction plan, adopted yesterday, envisaged spending of around 1bn zlotys this year on immediate infrastructural repairs, as it expects to maintain its planned 2.8 per cent of gross domestic budget deficit.

Next year's budget should see 1.9hn zlotys spent on rebuilding roads, bridges and damaged buildings. The funds are to be switcbed from existing projects.

However, Mr Belka maintained that next year's planned budget deficit of 1.9 per cent of GDP, estimated before the floods hit Poland at tbe beginning of July, would be maintained.

Observer, Page 13

The total cost of flood damage in the Czech Republic and Poland was yesterday put at more than DM1.5bn ($830m) by Munich Re, the world's biggest reinsurer, writes Christopber Adams. But industry experts say many bomeowners may not be insured, since cover for flood damage is not inclnded automatically in policies sold in these countries.

Munich Re said it expected to incur claims of between DM60m and DM80m – not an exceptional sum for a company which earned premium income of DM32bn last year.

While the floods had affected areas of eastern Germany, dykes designed to protect the countryside and towns against the rising waters appeared to be bolding out.

As in the Czech Republic and Poland, protection against flood damage is not normally inclnded in a policy unless requested. Swiss Re, the Zurich-based reinsurance group, was unable to quantify the claims it faced, but did not expect major losses.

Mr Wlodzimierz Cimoszewicz, Poland's prime minister, yesterday apologised to flood victims for saying that the government wonld not compensate them for damage and that they sbould have taken out insurance.

Insured losses in the Czech Repnblic were estimated by Munich Re at DM1.3bn and more than DM300m in Poland.

Blame put on global warming

By Vanessa Houlder

The beavy rainfall in Poland and the Czech Republic is consistent with the likely impact of global warming, according to the UK Meteorological Office.

"We would expect to see some sort of increase in rainfall in that area as a result of global warming," said Mr Geoff Jenkins, a meteorologist at the Hadley Centre for climate modelling at the UK's Meteorological Office at Bracknell, Berkshire.

Tbe Czecb and Pollsb floods are the result of two unusually heavy periods of rain this month. In the first bout, which started on July 4, more rain fell in five days than some parts of western Europe would expect in a year.

The heavy rainfall resulted from a virtually stationary area of low pressure, which produced nearly continuous rain. In addition, the area suffered beavy downpours from thunderstorms caused by the beat of the ground pushing air upwards.

Eastern Ukraine turns its back on Russia

Just a couple of years ago, it was feared that Europe's next trouble spot would be eastern Ukraine. The region's Russian-speaking majority would seek to rejoin Russia, some in tbe west predicted, potentially provoking the continent's bloodiest conflict since the second world war.

Yet today, nearly six years after Ukraine declared independence, all seems quiet on the eastern front.

There is no powerful, pro-Russian separatist movement and, far from heing axcluded from mainstream politics, eastern Ukrainian leaders run the sbow in Kiev.

Just 10 years ago, to speak a few words of Ukrainian in the east was a mark of "bourgeois nationalism" that earned instant hostility. Now, altbough Russlan is still beard most in the streets of Ukraine'a eastern cities, Ukrainian is the language of street signs, official documents and university admission exams.

One reason for this transformation is that the eastern Ukrainian political and business establishment has been thoroughly converted to the Ukrainian cause.

Even in Luhansk, a coal-mining and industrial region on the Russian border, elected officials are in favour of staying in Ukraine.

"Tbe press used to constantly say that eastern Ukraine was on the verge of a separatist revolt," says Mr Hennadi Fomenko, governor of Luhansk province. "It didn't happen then and it won't happen now."

A former director of a Soviet armaments factory who speaks only balting Ukrainian, Mr Fomenko insists: "The east is an integral part of Ukraine. Besides, we know how our neigbbours are doing in Russia, and they live no better than we do."

Eastern Ukrainian politicians, who dominate the central government in Kiev, have sound personal reasons to oppose union with Russia, a step that would relegate them to the status of minor backwater bosses. Even without this careerist inducement, many businessmen of eastern Ukraine seem to have ahifted loyalties to the west.

"I am Russian, I was born and educated in Russia, and when the Soviet Union first fell apart it was very painful for me," says Mr Ihor Sedykh, a former engineer at a munitions plant who is now a private entrepreneur. "But today our country has been formed, and there are good reasons for this. I don't think it would be good for it to come apart."

For ethnic Russians like Mr Sadykh, the shock of abruptly becoming citizens of independent Ukraine has been softened by Kiev's light band on the introduction of the Ukrainian language.

"Here in the east, no one forces you to speak Ukrainian," says Mr Oleksiy Danilov, mayor of Luhansk.

Indeed, Mr Danilov, who, like many Ukrainians, is hilingual hut tends to speak Russian at work, thinks it is Ukrainian rather than Russian which is endangered in Luhansk. He complains that many government agencies correspond only in Russian and admits, with some embarrassment, that fewer than 20 per cent of local schools are Ukrainian.

But in Kiev some officials worry that even this gentle introduction of Ukrainian into the east may be too harsb for the sensitivities of eastern Ukrainian voters. Concerned that neo-Soviet communists may make inroads into the east in parliamentary elections next year, President Leonid Knchma is considering giving tbe Russian language greater official status in the east.

"For the sake of official unity, the president might have to make some changes in language policies," says Mr Yevhen Kushnarov, the president's chief of staff.

The former mayor of Kharkiv, eastern Ukraine's largest city, Mr Kushnarov argues: "We cannot fail to take account of the fact that a large group of people, professional, democratically oriented people, consider themaelvea to ba aomehow auperfluous to the nation just because they are unable to function professionally in Ukrainian."

Finding a balance between forging a Ukrainian nation out of a land divided among dozens of conquerora over the past millennium, and respecting the preferences of eastern Ukraine, will remain a challenge for Kiev for decades.

But the trends in eastern Ukraine are encouraging. Nostalgia for the Soviet Union seems to be dispersing. Preoccupation with the past has given way to thoughts of the future, and politics and language have taken second place to economic concerns.

This was illustrated by a recent exchange on a late night flight from Moscow to Luhansk.

The surly crew forced passengers to wait on the tarmac in their stuffy, smelly aircraft for an hour after landing. When weary travellers began to protest, the Russian pilot shouted them down, saying they had voted for independence and should not now complain about delays at the border.

But, in a sign that even in remote Luhansk consumers are learning about their market rights, the passengers were unappeased. "Independence has nothing to do with it," one man yelled back. "We paid good money for our tickets and we expect to be treated like people, not like dogs."

Chrystia Freeland

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Swiss banks list lost account-holders

By Robert Wright

The Swiss Bankers' Association today takes the unprecedented step of publishing names of holders of dormant second world war accounts in an effort to defuse controversy over their handling of money deposited by Jews wbo later died in tbe Holocaust.

A list of about 1,500 names, along with names of those bolding power of attorney over accounts, appears in today's editions of 28 newspapers in Europe, the US, Canada, Argentina, Israel, South Africa and Australia, including the Financial Times. The list will also be published on the internet.

Mr Greville Janner, the chairman of the UK's Holocaust Education Trust, said the decision to publisb the names was welcome, but too late.

He said: "I have called for these names to be published for years. At last the Swiss are helping Holocaust survivors and victims of the Nazis and their families to recover money placed in Switzerland for safe keeping."

Privately, some Jewisb groups speculated that the decision to publish now might be related to the launching, in October of last year, of a $20bn (£11.9bn) class action in the US courts against all Swiss banks on behalf of all victims and survivors of the Nazis who deposited money and property with them during the second world war. Both Union Bank of Switzerland and Swiss Bank Corporation bave said they will challenge the charges in court.

Earlier this month, tbe Swiss banking ombudsman announced the discovery of owners for a further SFr17m ($11.5m) in long-dormant accounts, a dramatic increase on the mere SFr1.6m whicb had previously been traced back to its owners. The publication of the list is part of a process whicb has seen Swiss banks' famously secret records opened to a commission beaded by Mr Paul Volcker, former chairman of the US federal reserve.

The banks list any account opened before 1945 by a non-Swiss citizen, and wbose owner had not been heard from in more than 10 years. In October, a list of dormant accounts opened by Swiss citizens in the same time period will be publisbed. Some Swiss citizens may have opened accounts on behalf of Jews.

Further details of bow much is in the accounts and of the reasons for the SBA's actions will be made public today at a press conference in Zurich.

Local offices of the accountants Ernst & Young will deal with claims from members of the pnblic who believe they have claims over listed accounts.

EUROPEAN NEWS DIGEST

EU drafts new workers' rights

The European Commission will today propose new laws guaranteeing part-time workers across the European Union equal rights with their full-time colleagues.

The 20 commissioners are expected to back a draft directive which would enshrine in law an agreement reached last month after a year of talks between trade unions and public and private employers' groups under the EU's so-called social dialogue.

The new law would be based on the Maastricht Treaty's social chapter – only the fourth piece of legislation introduced under the controversial chapter – and would apply to the UK, following the Labour government's decision to end Britain's opt-out.

The draft law says workers should be able to choose freely between full-time and part-time work, without any loss of rights and benefits, such as pensions and dismissal rights if they cboose the latter. It would allow EU member states to introduce penalties against companies which did not respect the law.

The legislation is likely to go before EU social affairs ministers in October. But, since it is based on an agreement already reached between the social partners, the Commission says it will withdraw the proposal if ministers try to amend it. *Neil Buckley, Brussels*

■ RUSSIAN SCANDAL

Bank shake-up demanded

Russia's central bank has demanded the replacement of several top directors at Unikombank and restricted its operations in the government securities market after it became implicated in a growing financial scandal.

Last week, Mr Sergei Dubinin, the central bank governor, accused Unikombank of illegally diverting state funds and ordered further investigations into its activities. Unikombank has denied any wrongdoing and says it has yet to take any decisions about personnel changes.

The scandal has embroiled some of the country's most prominent business leaders. The central bank investigation appears to be the most serious attempt yet to uproot banking malpractices. Russian police confirmed yesterday that a a shot had been fired Mr Dubinin's apartment although no-one was injured. It was the second such attack in 18 months. *John Thornhill, Moscow*

■ CHERNOBYL PLANT

Last reactor shut for repair

The last operational reactor at the Chernobyl nuclear plant has shut down and may stay idle for months, officials said yesterday. Reactor 3 closed on Monday for annual repairs and is supposed to resume production in 70 days, but plant officials said they needed much more time because they only had a quarter of the necessary spare parts and equipment – mostly Russian-made.

Chernobyl's fourth reactor exploded in April 1986 spreading radiation across Europe in the world's worst nuclear accident.

Western countries promised $3bn in aid in return for full closure of Cbernobyl but actual funding has been slow in coming. Ukraine has retaliated by threatening to keep operating the plant, but the shutdown of Reactor 3 leaves it without much bargaining power.

Number 3 has been the only reactor still working since November, when the first reactor was taken off-line. The second reactor has been shut since a fire in 1992, officials say they may switch it back on because they need the power. *Sander Thoenes, London*

■ FOOTBALL TRANSFER

Fifa clears Ronaldo move

Fifa, football's world governing body, yesterday authorised the transfer of the Brazilian star Ronaldo, the world's most expensive player, from Barcelona of Spain to Inter Milan of Italy.

However, it ordered the two clubs to reach an agreement on the transfer fee Inter has to pay Barcelona. After spending $27m last month buying out Ronaldo's eight-year contract with the Spanish club, Inter had argued that it did not have to pay an additional transfer fee for a player who was a free agent.

But Fifa decreed that Inter should compensate Barcelona further for the loss of its biggest star. The Spanish club is believed to have asked for another $13m from Inter, which has already agreed to pay Ronaldo a $14m signing fee and a salary of $3m a year.

The European Commission has warned Fifa that any attempt to hlock the transfer would hreak European Union competition laws. *Patrick Harverson, London*

■ ROME WAR CRIMES TRIAL

Priebke found guilty

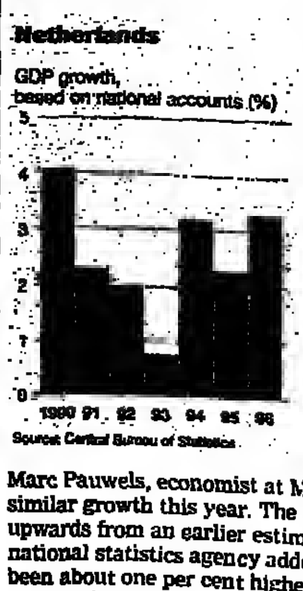
Former Nazi SS Captain Erich Priehke was convicted hy a Rome military tribunal yesterday of taking part in the wartime massacre of 335 civilians. He was sentenced to 15 years in prison, but this was reduced to five years under a long-standing amnesty.

Priebke'a co-defendant, former SS Major Karl Hass, was also found guilty. He was given a suspended sentence of 10 years and eight months and allowed to go free. The prosecution had sought a life term for the 83-year-old Priebke and 24 years for Hass.

Last August another military tribunal convicted Priebke of taking part in the massacre, but cleared him of the aggravating factors necessary to override Italy's 30-year statute of limitations on murder. A new trial was then ordered on the grounds that the first panel of judges was biased in his favour. *AP, Rome*

ECONOMIC WATCH

Dutch GDP rises by 3.3%



Dutch gross domestic product rose hy 3.3 per cent last year, almost twice the European Union average and the biggest increase in the Netherlands since 1990, according to final government statistics published yesterday.

Consumer spending grew by 3 per cent, and business investment by 6.5 per cent. A rise in exports of 4.5 per cent also helped boost GDP. The economy was "benefiting from strong domestic consumer demand as well as growing European exports", said Mr Marc Pauwels, economist at MeesPierson, who predicted similar growth this year. The GDP figure was revised upwards from an earlier estimate of 2.9 per cent. The national statistics agency added that GDP would have been about one per cent higher if it had taken into account illegal income from drugs, prostitution and gambling. This was estimated to have reached about Fl 5bn ($2.2bn) last year. *Barbara Smit, Amsterdam*

Lithuanians demand place in the sun

Baltic state reckons it deserves to be a member of the EU

Lithuania has experienced both "happiness and tragedy" on its switchback ride towards a market economy, lurching from an export boom to a banking bust, says Mr Vincas Babilius, its economics minister.

But he sees steadier progress in prospect as Lithuania's centre-right government, formed after last October's election, doggedly pursues its ambition of joining the European Union.

With economic growth forecast to reach 4 per cent this year, and as inflation and unemployment rates continue to fall, the biggest of the three former Soviet Baltic states ranks among Europe's better performing transition economies.

Lithuanian officials plan a fierce campaign to persuade EU leaders that their nation has moved far enough to be included in accession talks next year – contrary to the recent recommendation of the European Commission.

"We will do everything possible to change the conclusion of the Commission," vows Mr Gediminas Vagnorius, the prime minister, who accuses Brussels of using "obsolete" data. The fear of Lithuanian officials is that a delay in starting accession talks will damage investor confidence and encourage a reassertion of Russian influence in the region.

Mr Babilius recalls how Lithuania began its economic transformation in the early 1990s when quick-witted entrepreneurs helped their former Communist party masters in Moscow to sell their assets abroad. But this transit trade sucked in hot Russian money, pumping up the banking sector to unsustainable levels. The subsequent collapse of several of Lithuania's biggest banks required a complex financial salvage operation which seriously hampered economic recovery.

In recent months, the government has pushed the reform agenda hard and forged ahead with a privatisation programme. Sixty eight per cent of gross domestic product is now produced in the private sector. A further 14 state enterprises, including the national telecommunications, airline and shipping companies, are slated for sale this year.

Lithuania has also liberalised its trade and investment regimes and quickly reoriented its economy towards western Europe. The proportion of total trade conducted with EU countries has risen from 2 per cent in 1991 to 37 per cent last year. The total stock of foreign direct investment rose last year by 63 per cent to a total of $571m.

The overall improvements in Lithuania's economy are reflected by Standard & Poor's, which last month upgraded the country to an investment grade rating of BBB minus.

"Lithuania's economy did surprisingly well in 1996 given that the money supply has shrunk since the banking crisis at the end of 1995," says one western economist. "But industrial output is still falling and the banking sector remains weak."

The European Commission argues that Lithuania still faces several big obstacles, including the need to overhaul its public finances and restructure its large agricultural sector. But, arguably the most important challenge will be reforming its currency board while maintaining a credible monetary regime.

Lithuania cemented in place a strong anti-inflationary monetary framework in April 1994 by introducing a currency board and pegging the litas to the US dollar at a rate of 4:1. That regime has produced a sharp drop in the annual inflation rate – to 13.1 per cent last year – but has also complicated life for Lithuania's exporters, given the volatility of the US dollar against the D-Mark.

Mr Gitanas Nauseda, director of the policy department of the Bank of Lithuania, says the country will now unwind the currency board, introduce a more flexible monetary instrument and move in stages towards a fixed exchange rate with the EU's planned euro – assuming monetary union goes ahead.

However, Mr Steve Hanke, an economics professor at Johns Hopkins University who advised Lithuania on the creation of its currency board, warns such a transition could prove a big mistake leading to the politicisation of monetary policy and destabilising the economy.

"The Lithuanian currency board has performed extremely well – even during the banking crisis – because it has imposed discipline on the fiscal authorities by handcuffing the monetary authorities," Mr Hanke says. "You only have to look at south-east Asia right now to see the dangers of pegged and adjustable exchange rate systems."

John Thornhill

Bugging report fuels media row in Spain

By Tom Burns in Madrid

A running battle between Spain's centre-right government and Prisa, the dominant domestic media group, took a controversial turn yesterday when El País, the group's flagship newspaper, reported that a bugging device had been discovered in the office of Mr Jesús de Polanco, Prisa's chairman.

"This is the last straw," said Mr Alfredo Rubalcaba, a minister in the former Socialist government. "A war is being waged against Prisa on land, sea and air."

There is little love lost between the governing Popular party and the Prisa group, which broadly backs the Socialist opposition. The two sides have crossed swords over a digital television service launched by Sogecable, the pay-TV unit of Mr Polanco's media empire.

A Madrid judge has laid charges against Mr Polanco in connection with alleged business malpractice by Sogecable, and the European Commission has warned the government that, by seeking to restrict the start-up of Sogecable's digital services, it is restricting the free movement of goods and services within the EU.

The discovery of what El País reported to be a sophisticated microphone inside Mr Polanco's office telephone is certain to worsen a confrontation that is proving increasingly embarrassing for Mr José María Aznar, the prime minister. Prisa claims the law suit against Sogecable has been engineered by the government in a blatant attack on press freedoms.

The government said it would investigate the bugging, which El País said could only have been carried out by "professionals". Phone taps are a highly emotive subject in Spain. Reports two years ago that several prominent public figures, including King Juan Carlos, had been bugged led to the resignation of the deputy prime minister in the Socialist government and of the head of Spain's intelligence service.

The launch of Sogecable's Canal Satellite Digital, which is backed by Canal Plus of France, has been opposed by the government at every regulatory turn. Officials have ruled against the decoders it has put on the market to receive the new TV service and the Popular party has introduced a "football law" that dilutes exclusive rights signed by Sogecable with top clubs.

The obstacles contrast with the Popular party's enthusiastic support for a rival, Via Digital, which is due to start after the summer. This is principally backed by the heavily subsidised and government controlled state broadcaster.

New government bows to military demands on secular education

Ankara stamps on Islamist schools

By John Barham in Ankara

Turkey's new secularist government announced an education policy yesterday designed to stamp out growing Islamist influence in schools, complying with a key military demand after only three weeks in power.

The government decided after an all-night cabinet session to extend compulsory, secularist education to eight years. Islamic schools, which have grown in popularity, will enrol no new children when the school year begins in September.

Mr Hikmet Ulugbay, education minister, said: "This law is an important step towards attaining the modern society [Kemal] Atatürk [the founder of modern Turkey] wanted." But Mr Necmettin Erbakan, formerly Turkey's first Islamist prime minister, demanded a referendum on the changes which, he said, would drag Turkey back "50 years to fascist, secularist times".

His Welfare party claims the government will be unable to muster a majority in parliament for the legislation, even though it comfortably won a vote of confidence 10 days ago.

The army, which considers itself the guardian of the secular state founded by Atatürk 74 years ago, forced Mr Erbakan out of office last month. In February, the generals demanded immediate introduction of eight-year, compulsory education to curtail the growth in religious schools, which they claimed threatened the country's stability.

Some commentators, while supporting the government's anti-Islamist offensive, fear it is overreacting. Secularist prosecutors are trying to close Welfare and ban its MPs and leaders from public life. International human rights organisations have criticised the move.

The government has tried to ease criticism of Turkey's human rights record by proposing to free 124 journalists, publishers and writers jailed for infringing the country's's strict security laws. Their jail terms are to be converted into three-year suspended sentences, although they could be jailed for violating the law a second time.

Islamists have resisted attempts to extend compulsory secularist education since the proposal was first mooted in the 1970s, fearing this would reduce the number of children entering religious Imam Hatip schools.

These schools were originally intended to provide trained preachers for Turkey's mosques but gradually evolved into general schools, often financed by local communities. Until now, primary education lasting only five years was compulsory in Turkey. Parents could then choose to send their children on to secondary schools, put them through Imam Hatip schools or send them out to work.

This, plus low budgets and years of government neglect, has delivered poor education standards. Turks receive on average less than four years of schooling. About a fifth of the population is illiterate.

Last year about 8 per cent of the 3.8m high school pupils studied at Imam Hatip schools, where they receive general education and religious training.

The military accused these schools of inculcating anti-secularist values. They claimed that, if unchecked, ex-pupils would form a majority of the electorate by 2005, guaranteeing permanent hegemony for the Welfare party.

The government says it will spend $200m to prepare schools for the increased number of pupils by September.

Gazprom turns down the gas on Ukraine

Russia's gas monopoly, Gazprom, yesterday reduced natural gas supplies to Ukraine by 16 per cent in an attempt to force payment of hundreds of millions of dollars in overdue bills, writes Charles Clover in Moscow. Last Saturday, Gazprom cut supplies to Belarus by a quarter for the same reason, although it was reported last night to have resumed full service.

The company has been in dire financial straights since being forced to a pay a tax debt of $3bn last month.

The Russian government's fiscal pressure on Gazprom may be forcing the company to get tougher on its own customers. However, a spokesman in Moscow denied that the decision to put prassure Ukraine and Belarus had anything to do with the company's finances. "Time has simply come to teach our partners about civilised business practices," he said.

Gazprom has had a tumultuous relationship with Ukraine since the country became independent in 1991. Ukraine is its largest customer among Russia's neighbours and last year imported 51bn cubic metres of natural gas, but it has built up vast payment arrears. Some reports put the figure at $300m but the company refuses to comment. Gazprom has shut off Ukraine's gas supplies many times in the past over payment delays, but the relationship has been complicated by the fact that most of the 123bn cu m of gas which Gazprom exports to western Europe must cross the country. Ukraine has been known to steal Gazprom's export gas if domestic supplies are curtailed.

The Kiev government reduced arrears last year when it let marketing companies collect payments from customers, but analysts say customers have defaulted this year when the economy deteriorated further.

Ukraine continues to receive 15bn cu m of gas a year from Turkmenistan, but has trouble paying for this as well. Last April, Turkmenistan, too, cut off supplies temporarily.

NEWS: WORLD TRADE

Bluff, bluster and browbeating beat Boeing

Guy de Jonquières on how Brussels won its fight against the US aircraft maker

In the end, it was Boeing that blinked. A last-minute concession by the US aerospace manufacturer yesterday on the terms of its planned merger with McDonnell Douglas ended months of brinkmanship with Brussels, which has threatened to turn into the most bruising transatlantic confrontation for decades.

The Boeing offer was faxed to Mr Karel Van Miert, the EU competition commissioner, on the eve of a Commission meeting which was widely expected to outlaw the merger. The offer met the last of Mr Van Miert's main objections by proposing to scrap the exclusive 20-year supply agreements which Boeing has signed with three US airlines.

By dint of bluff, bluster and browbeating, Mr Van Miert had already persuaded Boeing to yield on two other points. It had agreed to limit defence technology "spill-overs" into the merged group's commercial operations and to publish separate accounts for the Douglas civil aircraft business.

Boeing had also offered to shorten the exclusive supply agreements to 13 years, and to sign no more for a decade. But the company had refused, almost to the end, to abandon exclusivity altogether. Unless that happened, Mr Van Miert insisted, Brussels would veto the merger.

Boeing-McDonnell Douglas: diary of a deal

04/12/96	Boeing agrees new jet collaboration with McDonnell Douglas
15/12/96	Boeing announces proposed merger with McDonnell Douglas
20/2/97	Boeing applies to the EU for merger clearance
17/4/97	Van Miert warns exclusivity agreements may be a problem
22/5/97	EU sets out its objections to the deal
01/7/97	US regulators approve the merger
04/7/97	EU competition panel issues ultimatum to Boeing demanding big changes
16/7/97	EU's competition experts recommend deal is banned
17/7/97	Exclusive supply deals prove sticking point for Commission
20/7/97	US warns of retaliation if Brussels rejects bid
22/7/97	Deal deadlock appears to be broken by a last-minute Boeing concession

Had the Commission done so, it would have unleashed a potentially uncontrollable chain reaction. Mr Van Miert had said that if the companies then pushed ahead with the merger, which US anti-trust authorities cleared last month, the EU would impose swingeing fines and business restrictions on them.

Such penalties would almost certainly have prompted US retaliation. Washington has been considering measures, ranging from filing a complaint against the EU in the World Trade Organisation to imposing anti-dumping or countervailing duties on exports of European Airbuses to the US.

That nightmarish prospect has now receded, if it has not yet evaporated altogether. Mr Van Miert's fellow commissioners have yet to endorse his proposed settlement with Boeing, and much detailed legal and technical work must be done to make Brussels' approval of the Boeing-McDonnell merger official.

The betting in Brussels last night was that Mr Van Miert would win the required support from a majority of the 20 commissioners today, and a package would be sewn up next week at their last meeting before the August break.

However, some observers warned that some of Mr Van Miert's colleagues might resist - and even try to throw a spanner in the works. The stiffest opposition was expected from Mr Yves Thibault de Silguy and Mrs Edith Cresson, France's two commissioners.

President Jacques Chirac of France has repeatedly urged the Commission to stand firm against the Boeing merger - most recently just as the US company was faxing its peace offer to Brussels yesterday.

Mr Chirac's interventions have been unusually strident, given that the Commission is supposed to have complete independence in competition policy. Some observers suspect he has seen the Boeing case as a way to get back at the US over recent legislation which could lead to sanctions on European companies with business interests in Cuba, Libya and Iran.

French oil companies, notably Elf and Total, are particularly vulnerable to measures provided for in the D'Amato Act, passed by the US Congress last year, which seeks to punish foreign investors in the energy sectors of Libya and Iran.

But although other EU governments are angry about the US legislation, it is unclear that enough of them share Mr Chirac's apparent outrage to the extent of pressing their commissioners to oppose approval of the Boeing merger.

Whether Washington put political pressure on Boeing to back down is not known. The evidence suggests, however, that the company's decision was its own: according to one report, it even asked the White House to stand aside this week and leave it to settle its differences with Brussels alone.

Even less clear is why the dispute went to the brink over an issue – the exclusivity deals - which both sides regard as commercially trivial. Most industry observers believe the US airlines which have such deals with Boeing would buy most of their aircraft from the company, even if no such supply contracts were signed.

The biggest longer-term question, though, is whether the jurisdictional conflict between US and EU authorities which led to the dispute was a one-off incident - or presages further transatlantic anti-trust confrontations.

Many of the problems stemmed from the companies' unusual structure – probably unique in manufacturing industry. Their minimal assets in the EU deprived the Commission of the direct leverage which it normally can exercise to get multinational companies to modify the terms of mergers.

Van Miert: successfully extracted concessions from Boeing

But Mr Van Miert's success in extracting concessions from Boeing might encourage the Commission to take a more aggressive and buccaneering stance towards the US in future cases.

Anti-trust lawyers and even some EU officials believe any such temptation should be resisted. They argue that Mr Van Miert took a huge gamble by taking on Boeing – and potentially the political might of Washington. He should, they say, simply count himself lucky that the gamble turned out as it did.

Europe's excavator makers steer output towards US

By Peter Marsh

Caterpillar and Komatsu, the world's two biggest makers of construction equipment, are this year switching part of their European output to the US to meet unexpectedly high demand there.

The change underlines how large companies can move output from plants around the world to satisfy demand in different markets.

It also illustrates the boom in demand for construction machines in the US, where as a result of a buoyant economy sales of construction equipment this year are expected to be slightly above the 1996 level. This is likely to be the fifth successive year to show a sales rise.

In contrast, European demand for construction machinery such as excavators and earth movers has recently been extremely sluggish, mainly because of a public spending squeeze in many countries due to government efforts to meet the financial criteria for economic and monetary union.

Sales of construction machines – which are running at about $15bn a year in western Europe and some $20bn a year in tha US – are one of the best indicators of overall economic demand. Sales of the machines tends to rise especially when housing and public infrastructure projects are booming.

In a normal year, Caterpillar's biggest European plant at Gosselies near Brussels exports just 2 per cent of its $1bn-a-year output of excavators, heavy trucks and engines to the US. This year, the proportion is likely to be 10 per cent.

Caterpillar's full order books from US customers has persuaded the company to channel a large part of its production to the US, even though it means paying extra transport costs.

According to Caterpillar, the high price of the machines – up to $500,000 – means the extra shipping makes little difference to its overall costs.

A similar strategy is in evidence at Komatsu's main European excavator plant in Birtley, north-east England. This year about 300 of the 2,000 machines the factory is due to make will be shipped to the US. In most years, virtually all the plant's production is sold in Europe.

Mr Dirk Stukkens, Komatsu's European marketing manager, said the switching in output was an example of the company's ability to operate its plants flexibly.

Terex of the US – another big construction equipment company – is moving in a similar direction. Of the 750 trucks that it expects to make this year in its main European truck plant near Glasgow in the UK, 300 will be shipped to the US. This is three times the figure in the early 1990s when the European and US markets for the products were showing a similar level of demand.

Mr Charles Yengst, an analyst at Yengst Associates, a US construction equipment consultancy, said the continuing strength of the US construction machinery business had come as a surprise. "Factories are chugging along at high capacity. This year the market is definitely not going to turn down and there may still be some room for growth."

Russia offers to open markets

By Frances Williams in Geneva

Russia yesterday told the World Trade Organisation it would put forward plans to open its markets to foreign competition by the end of this year – a big step forward in its bid to join the world trade body next year.

Russia's WTO application has made slow progress since it applied to join Gatt, the WTO's predecessor, in 1993. However, negotiations on membership terms have intensified this year.

The US pledged in March to support Russia's entry in 1998, provided it can satisfy WTO obligations, and Mr Anatoly Chubais, Russia's first deputy prime minister, who is spearheading economic reform, has taken personal charge of negotiations.

Mr Georgy Gabuniya, Russia's vice-minister for foreign trade, told an informal meeting of the WTO membership working party yesterday that Moscow intended to submit an offer on market access for foreign goods, including farm products, in the autumn, and on liberalisation of services towards the end of the year.

Trade officials said improving access for foreign agricultural imports and opening up the services sector, especially the sensitive financial sector, are expected to prove the most difficult areas for the Russian government when detailed talks begin in earnest.

Aspiring WTO members must not only show that their trade legislation and practices comply with international fair trade rules but must negotiate a package of market-opening measures with all their main trading partners on a bilateral basis.

Until Russia submits its detailed offers, on an item-by-item basis, this process cannot begin. So far, the WTO working party has focused on Russia's current and proposed trade laws.

NEWS: INTERNATIONAL

Mombasa Moslems lose faith in Moi

Angered by discrimination over land and religious parties, a key minority has turned against Kenya's beleagured Christian president, writes Michela Wrong

Half-way through a scrappy renovation, surrounded by piles of gravel, the Jihad mosque has little of historical or architectural interest to recommend it.

But that has not stopped police and youths fighting running battles in the woodland plot where it stands. Its value lies not in its aesthetic charm, but in its symbolism. Perched on the edge of a golf course an hour'a drive from Mombasa, the building is at the centre of a dispute between hotel owners who want to extend the green and the Moslem community outraged by the idea of any mosque, however ramshackle, being demolished.

The battle is just the latest example of a growing phenomenon on Kenya's coast. In case after case public land, supposedly held by the state for the common good, is sold to private developers, who eject "squatters" who have often lived there for generations.

Dubbed "landgrabbing", the trend lies at the heart of a general disillusionment among the Moslem community with President Daniel arap Moi. Coming when Mr Moi is under unprecedented pressure to change a constitution giving him the upper hand in elections, that anger could help shake the regime's hold on power when elections are held later this year.

One reason lies in legislation drafted before Kenya's first multi-party contest in 1992.

One of the laws reformers want rescinded stipulates that the winner must gain at least 25 per cent of the vote in at least five of the country's eight provinces, a tall order for opposition parties with narrowly ethnic constituencies.

Ironically, Mr Moi may now himself have problems meeting those requirements. If he fails, he will have to stand in a runoff bout. For the ruling Kanu party, that makes possible what opposition bickering has so far averted: Mr Moi, who garnered less than a third of the national vote in 1992, losing against a candidate tapping the opposition's combined support.

Mombasa's well-known elephant tusk arches. Plagued by water shortages, power cuts and disintegrating roads, the city feels neglected and betrayed

So Mr Moi, who won an impressive 62 per cent on the Coast in 1992, can ill afford to lose the Moslems, who claim to account for up to a quarter of Kenya's population.

Tracing its roots to Arab traders who came in search of spices, ivory and slaves, the Moslem community has a history all its own. When Kenya's interior was firmly in British hands, the coastal strip belonged to the Sultanate of Zanzibar, a British protectorate. At independence London bought the strip from the Sultan and gave it to the new-born Kenyan government.

> 'We are afraid because all the tribes of Kenya are mixed up in Mombasa. It is just like petrol and a matchbox'

In return for surrendering their separatist aspirations, the Moslems were told their interests would be safeguarded. That promise, many feel, has now been breached.

"The land issue is particularly hot," says Sheikh Khalifa Mohamed, interim chairman of the Islamic Party of Kenya (IPK), which the government refuses to register because of its religious basis. "They have grabbed mosque land, church land, pavements, even public toilets." Locals also complain at the disproportionately small number of Moslem cabinet ministers, army chiefs, top civil servants. They rail at the failure to register IPK, government obstruction when it comes to setting up Islamic educational institutions, the general hostility of a president who is a devout Christian.

"Since Mr Moi took over, not a single Moslem project has gone through," says Mr Munir Mazrui, coastal chairman of the Supreme Council of Kenya Moslems. "Evan under Kenyatta, Moslems were dissatisfied. But now they feel that President Moi hates the community and is doing his best to suppress it."

Mombasa's role as East Africa's largest port and the hub of a tourist industry bringing in half a billion dollars a year merely makes things worse.

The port handles cargo bound for inland Kenya, Uganda, Burundi, Rwanda and beyond. The coastal strip receives 70 per cent of the tourists visiting Kenya. But outsida the top hotels – mostly owned by foreigners or upcountry Kenyans – spill-over benefits are hard to spot.

Mombasa is a collapsing mess of a city plagued by water shortages, power cuts and disintegrating roads. The drive in from the airport, round pools of muddy water and broken-down trucks, is a national disgrace.

A sense of betrayal over this neglect, locals say, means the elections could take a radically different turn from 1992, when Kanu partly relied on the ill-informed rural population's failure to grasp the principle of multipartyism to sweep the board in tha parliamentaries, but lost three out of four seats in more sophisticated Mombasa.

> 'Even under Kenyatta, Moslems were dissatisfied. But now they feel Moi hates the community'

The return of Sheikh Khalid Balala, a fiery Moslem preacher the government only recently allowed to return from three years of exile in Germany, may also alter the equation, drowning out Kanu's recent attempts to curry favour with a spate of clinic constructions, bus donations and water projects.

Like many opposition figures, he places no faith in Mr Moi's recent promises to level the electoral playing field. Hugely popular with the young, an expert at mobilising crowds, he plans to make Mombasa – hitherto little affected by Nairobi politics – a showcase for the constitutional reform campaign.

"Kanu has lost the coast forever. We will raise the temperature to boiling point, to explosion level. This place will roast," he says. A rally, a repeat of the meetings that this month triggered Nairobi's worst unrest since the introduction of multipartyism, is scheduled in the port on Saturday.

The flurry of promised political activity in Mombasa makes many residents uneasy. With its volatile mix of upcountry and coastal people, diverse religions and cultures, the city has a tendency to turn more violent than Nairobi, as witnessed in the last elections.

Mr Shariff Nassir, Mombasa's long-standing Kanu boss, says he is worried about potential bloodshed, not Kanu's ability to triumph in the elections. "We are very afraid because all the tribes of Kenya are mixed up in Mombasa. It is just like petrol and a matchbox."

Residents also warn that a few glimpses by unsuspecting tourists of the grim reality of Kenyan police tactics could also do the country far more economic damage than the fortnight of unrest in the capital that already caused the shilling to wobble.

"The impact of Nairobi-style incidents would be tremendous and immediate," says Professor Juma Lugogo, head of the Coastal Development Authority. "Violence is never selective and the most vulnerable would suffer. We must have peace."

Israelis plan to bar Palestinian injury claims

By Judy Dempsey in Jerusalem

The Israeli Knesset, or parliament, was last night expected to support the first reading of a new law which would prevent Palestinians injured by Israeli security forces from filing for compensation.

The law, which the government intends to put on the statute books by August 2 when the Knesset goes into summer recess, has been sharply criticised by human rights groups and lawyers as discriminating and "a corruption of the legal system".

Drawn up by the justice ministry headed by Mr Tzahi Hanegbi, the law is aimed at Palestinians who are seeking compensation for injury during the Intifada, the Palestinian uprising between 1987 and 1993. More than 1,300 Palestinians were killed by the Israeli security forces. In fewer than 10 cases, soldiers were convicted of intentionally inflicting injury.

If adopted, Palestinians would no longer be able to seek through the Israeli courts compensation from Israeli security forces or from the state for injury or death. Instead, plaintiffs would have to redirect their search for compensation to a new committee appointed by the defence ministry.

The committee would be authorised to grant "out of humanitarian consideration" payment to injured parties or their dependents. Even if compensation were paid out, it would be less than through the Israeli courts and, in some cases, less than the medical bills.

B'Tselem, the independent Israeli Information Centre for Human Rights in the Occupied Territories, said the law was also discriminating because an Israeli or foreign residents would still be entitled to compensation through the courts if injured by the security forces.

Even if Palestinians did try and seek justice through the committee, those who had been involved in "a serious terrorist act" even if they were injured in a completely unrelated event, would not be able to present their claim to the committee.

"It is a legal recipe for impunity," said B'Tselem. Mr Uriel Procaccia, a law professor at the Hebrew University, said the draft law was "a corruption of our legal system and I only hope that if the law is passed, the Supreme Court will throw it out." The real motives behind the law were "to save money".

The justice ministry yesterday shrugged off criticisms, saying civil suits file by Palestinians were "crowding the court dockets" and the state would be have to pay large sums as a result of this type of tort suit.

The Israeli government was last night bracing itself for strikes and protests over its Shk800m ($228.5m) budget cut which was presented to cabinet for debate last night, writes Judy Dempsey in Jerusalem.

The cuts, drawn up by Mr Yaakov Neeman, the recently appointed finance minister, and backed by Mr Benjamin Netanyahu, the prime minister, are aimed at cutting this year's budget deficit to 2.8 per cent of gross domestic product from 4.6 per cent last year.

The need to find additional cuts stems from a revenue shortfall of Shk3.5bn in customs and VAT payments and Shk1bn from income and other direct taxes.

Mr Neeman intends to trim spending in all the ministries by 0.9 per cent, excluding the defence and health ministries which are demanding additional spending of Shk1.5bn and Shk1.3bn respectively.

Doctors in state hospitals yesterday were out on strike and teachers and parents have already started lobbying against any cuts which would affect education.

Aid to poor falls to lowest level

By Michael Peel in London

Aid from industrialised nations to developing countries has fallen to its lowest level since records began in 1950, according to a report yesterday by Unicef, the United Nations children's agency.

In 1995 the 21 members of the Organisation for Economic Co-operation and Development gave an average 0.27 per cent of gross national product, down from 0.34 per cent in 1990.

Ms Carol Bellamy, executive director of Unicef, said the total aid funds of $58.9bn were "dismal". "That is the smallest amount since statistics on it were first collected in 1950," she said.

"In a $1,250bn global economy, a quarter of humans are living lives of unimaginable squalor and distress."

The US gave the least, as percentage of GNP, donating 0.1 per cent of GNP. Denmark, by contrast, gave the most at 1.04 per cent.

Only Denmark, Norway, the Netherlands and Sweden gave more than the UN target of 0.7 per cent of GNP.

Although private investment in developing countries increased from $52bn in 1990 to $159bn in 1995, Ms Bellamy said most of this had gone to a handful of emerging economies while the poorest sub-Saharan African countries received "a pittance".

She said the extra $95bn that would be raised if the OECD countries met the UN aid target would "break the back of global poverty".

The Unicef report said deaths of young children in developing countries from Aids was forecast to triple by 2010. The US Bureau of Census forecast that 357,000 infants in 19 "high-risk" countries would die of Aids in 2010.

The bureau estimated that 61 per cent of all infant deaths in Botswana, the worst affected country, would be Aids-related.

good morning!

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* There's polystyrene in these yoghurt pots

Approach attitude is what counts. That's what is required to be faster and more flexible than the competition. Which is why we'll be operating on the market as an independent limited liability company from October 1, 1997. Clustering all activities in the field of polystyrene into a single independent company with clear market focus is only one of the many measures to feature in the Global Fitness Program of Hüls AG which in future will take on the role of strategic holding company. This opens up whole new market opportunities, paving the way for us to reach our ambitious goal of becoming a leading supplier. Watch this space for the name under which we'll be starting out. **Polystyrene Division of Hüls AG, Marl, Germany.**

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Discover The Link To Life

Venezuela halts cellphone operators' expansion

By Raymond Colitt in Caracas

Venezuela's two cellular telephone operators have been banned from taking on customers until their service is improved.

In an unprecedented move, Conatel, the Venezuelan telecommunications regulatory agency, has told Telcel and Movilnet that they cannot expand their customer base because excessive demand appears to have caused a deterioration in the service.

However, Casatel, the chamber of telecommunications companies, said such unilateral decisions muddied the rules of the game, undermining investor confidence and impairing new investments in the industry. The chamber says Conatel, by law, is obliged to consult the companies before taking any such action.

The companies' 1992 concession contracts stipulate minimum service requirements but, industry analysts say, it is not clear whether Conatel has the authority to actually prevent companies from expanding. Conatel refused to comment.

Movilnet said it had halted the sale of all new subscriptions on Monday in response to the Conatel order. "If this ban continues for some time," said Mrs Maria Eugenia Tinedo, equity analyst with Deutche Morgan Grenfell in Caracas, "it could effect the year end results of CanTV [the parent company of Movilnet]". Mrs Tinedo estimated that cellular telephony contributes more than 10 per cent of CanTV's income. Talcel, which belongs to the privately-owned Cisneros group of companies, apparently halted sales on its own initiative at the beginning of July.

While both companies have recognised there have been bottlenecks in their capacity to process phone calls, provoking complaints by customers, they say they can resolve the problem within weeks. Telcel has launched a six-month, $160m investment plan to improve its service and double its capacity to process calls.

The number of cellular phone users in Venezuela has rocketed in recent months as the country emerges from a five-year recession and expects economic growth of 4 per cent this year. The number of cellular phone users has increased from 450,000 in 1995 to about 800,000, Conatel says. In only seven months the figure has jumped more than 200,000.

Critics say Conatel is in part responsible for the current situation because it only authorised two cellular telephone operators. Venezuela has one of the highest cellular phone market penetrations in Latin America.

The regulator's move has renewed concerns about excessive intervention by agencies. "Clearly the regulatory regime in Venezuela is deficient," said Mrs Tinedo. There have also been complaints of populist rate policies pursued by the government in the electricity, transport and telecommunications sectors. CanTV and Electricidad de Caracas (Elecar), the country's largest private sector power company, have seen rate increases repeatedly delayed or denied over the past year.

Clinton to back rise in Medicare premiums

By Gerard Baker in Washington

US president Bill Clinton promised the Republican congressional leadership yesterday he would back a controversial proposal to raise premiums for public health insurance as part of a package of measures aimed at balancing the federal budget by 2002.

"I would be happy to defend the vote of any member of Congress, Democrat or Republican, who votes for this," Mr Clinton said.

His remarks were intended to break a potential logjam over healthcare in the final stages of budget talks between the White House and Congress. On Monday, House and Senate Republicans backed away from an earlier proposal to raise premiums and the age of eligibility for Medicare, the system of public health insurance for the elderly.

Republicans were worried the president would seek to make political capital out of any rises they make in such charges, accusing his opponents of approving what amounts to a tax rise for the elderly. Mr Clinton also offered to let the Treasury, rather than the Internal Revenue Service, collect extra premiums, a largely cosmetic move to make them look less like tax increases.

The president's gestures seemed likely to help the negotiations along, but important differences remain before final agreement is reached on the budget, which, in addition to balancing the federal finances in five years, would also cut taxes by $135bn.

The House and Senate have still to agree on whether to raise tobacco taxes to pay for greater provision of health insurance for children. There are also gaps between Congress and the White House on the administration of extra funds for children's insurance.

Hope for new advance on birth defects

By Michael Peel

A US doctor announced yesterday that he hoped within five years to treat a baby with birth defects with tissues extracted when it was a foetus.

Dr Dario Fauza, a fellow of the Harvard Medical School, told the annual conference of the British Association of Paediatric Surgeons in Istanbul that he had grown part of the bladder of an unborn sheep in a laboratory and then implanted the mature tissue in the newborn baby sheep.

This is the first time someone has used engineered tissue from a foetus to treat a newborn animal. This is important because the animal is much less likely to reject its own implanted tissue than material from another foetus or animal.

Dr Fauza said he hoped to develop the technique in the next few years to allow doctors to treat babies with birth defects, such as tumours which require tissue grafts. "Babies are just so small that they just don't have enough skin to graft," said Mr Bill Schaller, public information officer for the school.

"This [technique] could be essential for some of the birth defects that are potentially fatal if they are not corrected within hours or days of birth."

He said the technique could be extended to grow replacement tissue for more complex organs such as the liver. "There should be few ethical issues in that you are taking material from the foetus to help him or herself when he or she is born," he said. He said the school had no plans to test if foetal tissue could be used to treat adults or other babies.

Dr Neil Sebire, senior research fellow at the Harris Birthright Research Centre at London's King's College Hospital, said the technique could be immediately helpful in treating some rare conditions. "It's certainly a very exciting concept," he said, "although there are relatively few problems that a foetus could have where the lack of tissue to graft is a problem."

> 'There should be few ethical issues in that you are taking material from the foetus to help him or herself when he or she is born'

He said the technique might help in cases of hernias and defects in the abdominal wall where a large amount of skin was needed. At present doctors use patches of plastic mesh and hope the surrounding skin grows together.

Dr Sebire said the technique could be invaluable in treating patients such as burns victims who required large grafts of skin. "The theoretical big advantage is if you could use the tissues to treat adults, but that raises big ethical problems," he said. "Another question is whether the same problems of graft rejection would happen with foetal tissues as with adult tissues."

Republican knives out for Gingrich

It was on the steps of the Senate that Julius Caesar succumbed to the jealousy of his political rivals in the twilight of the Roman republic.

For Mr Newt Gingrich, the treachery is taking place in the corridors of the House of Representatives.

The Speaker of the House, once feted in triumph as leader of the Republican revolution, is now battling for his political survival, surrounded by colleagues who seem intent on knifing him.

Last night, Mr Gingrich met his most senior deputies in an attempt to quell the rebellion which has consumed the party for the past two weeks. But it was not at all clear whether anyone was listening.

The turmoil began two weeks ago when Mr Gingrich survived what looked like a rather half-hearted attempt to oust him by a couple of dozen junior House Republicans. The hardliners, irritated by what they claim to have been Mr Gingrich's retreat from conservative doctrine, called for his removal.

The coup attempt would have been dismissed as the rantings of disgruntled juniors had it not been for the extraordinary events that followed.

Newt Gingrich: battling for his political survival

In an effort to defuse the row, Mr Gingrich agreed that the plotters should meet his four most senior lieutenants – Mr Dick Armey, Mr Tom DeLay, Mr John Boehner and Mr Bill Paxon.

Accounts of the meeting vary, but according to the plotters, far from damping their mutinous zeal, the four men actually egged them on, and spent much time discussing among themselves who might be presented as the credible alternative Speaker.

When reports of the meeting seeped out last week, Mr Gingrich moved. He promptly fired Mr Paxon (the only one he could remove since the other three are elected party officials).

All four men offered unconvincing denials that they had actively abetted the coup.

Mr Armey and Mr Boehner claimed they had merely been trying to disarm the plotters. Mr Paxon acknowledged he had "lost the Speaker's trust". Mr DeLay, most revealingly, simply issued a statement saying he had no intention of resigning.

It certainly appears that Mr Gingrich now leads an impossibly divided rabble. On Monday, he expressed his determination to continue, saying it was his job to act as the Republicans' "head coach", reminding them "firmly if necessary, that we are after all a team".

He may now try to purge his senior ranks of the disloyal deputies, though that will be difficult, since the remainder were all elected by House Republicans as a whole. Mr DeLay, at least, as seemingly the most guilty, might be forced to step down.

But in the longer term, the Republicans' broader problems will continue, with or without Mr Gingrich or any of his colleagues.

The difficulties seem, on the surface, hard to explain. Though they lost the presidential election last year, the Republicans held on to control of both the House and the Senate, the first time they had been re-elected in charge of the legislative branch for nearly 70 years. The political agenda remains dominated by their ideas – two cherished Republican goals, a balanced budget and a large capital gains tax cut, are near agreement.

Their deeper problem is that though they may be winning Washington's political war, they keep losing the big battles.

In the past two and a half years, Republicans have been constantly outmanoeuvred by President Bill Clinton when it comes to earning political credit.

Since the budget battle two years ago that resulted to a government shutdown, Mr Clinton has proved brilliant at presenting popular Republican changes as his own, while blaming the opposition for the unpopular elements.

The result is frustratingly obvious to Mr Gingrich's colleagues. While Mr Clinton enjoys the highest approval ratings of his presidency, the Congress is held in lower esteem than ever.

Dumping the still unpopular Mr Gingrich might seem like a good idea, but in the wake of the aborted coup, it is harder than ever to see a plausible and popular alternative.

Gerard Baker

Roth moves closer to top Asia post

By Heather Bourbeau in Washington

Mr Stanley Roth looks set at last to land the State Department's top job in Asia after he was well received yesterday by the Senate Foreign Relations Committee in the hearing on his nomination.

Mr Roth, whose nomination as assistant secretary of state for east Asian and Pacific affairs, has been held up for several months, emphasised regional unity and a balance between security, policy and economic goals.

He placed economics before "basic values" but later addressed the fears of human rights groups who opposed his nomination by highlighting his record in protecting human rights in East Timor.

Questioned on recent power struggles in Cambodia, Mr Roth cautiously refused to use the word "coup", stating: "What is more important than the word is the action, which is inexcusable." He placed working with Mr Stephen Solarz, the administration's special envoy to Cambodia, to find a regional solution as one of his highest priorities if confirmed.

The committee members, however, appeared most concerned about Mr Roth's stance towards China, and his role in President Bill Clinton's 1994 decision to treat human rights issues separately from the annual renewal of China's Most Favoured Nation trade status.

Mr Roth yesterday denied holding personal meetings with Mr John Huang, the businessman at the centre of allegations, now being investigated by the Senate, that China had tried illegally to influence US foreign policy. He also said he thought the MFN policy decision was influenced solely by a better-informed approach. He added, however, that if allegations were proven that China tried to influence policy through campaign financing, that would have serious implications in the region.

Mr Roth is the former deputy assistant secretary of defence for east Asian and Pacific affairs as well as former special assistant to President Clinton and senior director for Asian affairs at the National Security Council.

US state in clash over benefits

By Christopher Parkes in Los Angeles

California's most prominent Latino politician has clashed with the Republican governor by calling on the state to replace welfare benefits that are set to be withdrawn by the federal government.

Mr Cruz Bustamente, a Democrat and the first Mexican-American to hold office as speaker in the state assembly, launched his initiative on behalf of poor legal immigrants with an emotional appeal and a television commercial promising California would "do the right thing".

The move, which is likely further to delay passage of the state budget – already three weeks overdue – sets the stage for a protracted stand-off with Mr Pete Wilson, the governor. Mr Wilson recently proposed a $1bn-a-year cut in state income taxes.

The clash may also restore Mr Bustamente's political stock, especially among Latinos. The speaker has given a lacklustre performance since his election last year.

According to some estimates, 150,000 legal immigrants will lose their right to food stamps and supplementary benefits in September. Although Mr Bustamente said the cost of state intervention would be only about $123,000, his call was immediately rejected by Mr Wilson's office. The governor has consistently insisted immigrant issues are a matter for the federal authorities.

California, which is home to half the nation's immigrants, many in poorly paid agricultural or domestic jobs, "is not in a position to assume the responsibilities of the federal government", the governor's spokesman said.

The conflict may be the precursor of further muscle-flexing as Latino advocates gain increasing political power. Latinos are predicted soon to become the largest ethnic group in the state.

Brazil business optimistic on economic prospects

By Geoff Dyer in São Paulo

Brazilian businesses are highly optimistic about the country's economic prospects and expect profits and sales to grow over the next two years, according to a survey published yesterday.

Businesses also expect interest rates to fall, the public sector deficit to be reduced and exports to grow, according to the poll, which was produced by the news agency Reuters and Zogby International, a research organisation.

The upbeat outlook from the business community comes at a time when some analysts have been predicting a slowdown in consumption in the second half of the year and have been scaling back forecasts for economic growth in 1997.

The optimistic tone also contrasts with the mounting concern about Brazil's large fiscal and current account deficits and the predictions in recent weeks from some leading economists that Brazil could become a target for currency speculators.

The survey was conducted from June 23 to July 11 and was based on responses from 348 businesses. The Brazil Business Confidence Index will be published every six months. Of the businesses surveyed, 84 per cent expect either substantial or moderate growth over the next two years, with only 2 per cent expecting the economy to contract.

Nearly 70 per cent said sales would grow this year, with only 3.7 per cent expecting sales to decline, while almost 80 per cent of respondents said sales would rise in 1998, which is an election year in Brazil. Thirty-seven per cent of companies expect their exports to rise in the second half of this year and 44 per cent expect an increase in exports next year.

However businesses are not so optimistic about job creation.

Only 44 per cent of companies said that they would increase employment this year, while about 35 per cent said they would add jobs next year.

Competition watchdog shows its teeth

The present government has encouraged an assertive competition policy. Geoff Dyer reports

Fourteen thousand tonnes of toothpaste will be sold at an auction in São Paulo this week in one of the more bizarre examples of the confusion in Brazilian government circles about the impact of foreign investment on the country's new-look economy.

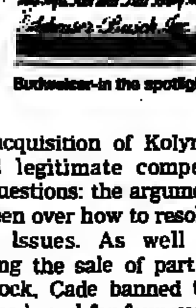
It was in the toothpaste market that Cade, the government's competition watchdog, first showed its teeth to multinational companies. Following the acquisition by Colgate-Palmolive, the US consumer products group, of the South American toothpaste company Kolynos in January 1995, which gave the combined group 80 per cent of the Brazilian market, Cade ordered that it sell part of its toothpaste mountain to rivals in order to increase competition.

The toothpaste dispute, however, was nothing compared with the furore caused last month by Cade's decision to dissolve a joint venture between Miller Brewing of the US and Brahma, Brazil's largest beermaker on the grounds that it inhibited competition.

And when it meets again today, Cade is expected to order the same course of action over a tie-up between Anheuser-Busch, the US manufacturer whose best-known brand is Budweiser, and Antarctica, Brahma's nearest local rival.

Controversial decisions by Cade

Transaction	Date	Product	Decision
Acquisition of Kolynos by Colgate-Palmolive	1995	Toothpaste	Sale of part of stock and suspension of Kolynos toothpaste brand for four years
Joint venture between Brahma and Miller Brewing	1995	Beer	Gave the two companies two years to dissolve the joint venture
Joint venture between Antarctica and Anheuser-Busch	1996	Beer	Expected to order the dissolution of the joint venture



Budweiser-in the spotlight

With tempers increasingly frayed among both officials and businessmen, the president of Cade, Mr Gesner Oliveira, has accused the five members of the committee (out of seven) who voted against the Brahma joint venture of "xenophobia".

The Cade decisions have struck at a raw nerve of the government's economic policy. Brazil has become one of the most attractive locations in the world for direct investment as a result of the transformation of its economy since the launch of a new currency three years ago.

These investment flows are doubly important for the economy, for as well as helping finance the expanding current account deficit, which is expected to exceed 4 per cent of GDP this year, they also cut dependence on more fickle short-term capital to make up the shortfall.

Yet having stripped away much of the regulation that isolated Brazil from foreign companies in the post-war period, the current government has been instrumental in encouraging a more assertive competition policy. Indeed President Fernando Henrique Cardoso was finance minister in 1994 when the bill was passed which made Cade – short for Administrative Council for Economic Defence – independent from the government.

In the toothpaste example, few would deny that the Colgate acquisition of Kolynos raised legitimate competition questions: the argument has been over how to resolve those issues. As well as ordering the sale of part of the stock, Cade banned the Kolynos brand for four years to give competitors a chance to establish themselves. Colgate launched a new brand in May, but Cade decided that it was too similar to Kolynos. A new marketing strategy is expected to be presented this week.

However in the case of the beer joint ventures, opinions are much more polarised. The argument against them is based on the "potential competition" – a little-used legal concept – that would have arisen had the foreign companies entered the market on their own behalf.

Ms Lucia Helena Salgado, who has led the opposition camp on Cade, said that Brahma and Antarctica have used the joint ventures to limit and control the competition from the two US brewers. "The joint ventures reinforce the dominant domestic positions of these two companies," she said.

"This was a stupid and political decision," says Mr Marco Melo, analyst at Bozano, Simonsen, the Rio de Janeiro investment bank. He says the industry is already highly competitive – Antarctica has in recent years lost market share to Kaiser, the third largest national brewer – and the cost of setting up a new network would be prohibitive for a foreign company.

But what does it mean for foreign investment? "Multinationals will not stop investing in Brazil because of this," said Mr Ivan Avila Oliveira, a director at Trevisan Management Consultants in São Paulo. However he says it could cause problems for some prospective joint ventures, such as in the airlines industry where a number of foreign carriers are looking at possible links with Brazilian rivals.

Investment bankers think Cade has made a point of the two Brazilian brewers because of their high profile. However, they say that joint ventures will now have to be structured to show obvious technology transfers and efficiency improvements – two of Cade's main objections to the beer tie-ups.

Cade officials, meanwhile, are keen to play down the implications. "Every decision is taken on a case-by-case basis. There are no general rules about joint ventures," said Mr Oliveira.

This plethora of competition disputes is an inevitable teething problem of Brazil's move away from a closed and heavily state-owned economy. Ten years ago the job of most economics officials was to set prices or to choose which imports were to be substituted by domestic products. Now they need to feel comfortable in areas such as anti-dumping rules and intellectual property rights.

"All this turbulence is positive, it has provoked debate," said Mr Ruy Coutinho, head of the Ministry of Justice's economic law department, the other government arm of competition policy. "The government is learning how to implement competition rules and the private sector is learning how to cope with a world where competition is allowed."

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Tokyo pledges new corruption penalties

By Gillian Tett in Tokyo

The Japanese government yesterday pledged to introduce new penalties for corporate corruption following a recent spate of scandals at companies such as Nomura.

A special cabinet meeting convened to consider the scandals said revisions to the banking law would be proposed to parliament later this year.

Theae would aim to improve the system of corporate inspection and toughen penalties against companies which have financial links with *sokaiya* or corporate racketeers, officials said.

The *sokaiya* have traditionally demanded payments from companies in exchange for not revealing sensitive information about them at *shareholder meetings*.

The government yesterday refused to indicate what the new penalties might entail. Payments to *sokaiya* heve been illegal in Japan since 1982.

But the move highlighted the Japanese government's determination to demonstrate to the Japanese public and outside world that it wants to act against the *sokaiya*.

Yesterday's cabinet meeting was the first specifically called to consider the *sokaiya scandals*.

Another sign of the government's public campaign will emerge tomorrow when Mr Junichi Ujiie, president of Nomura, Japan's largest securities company, is forced to testify to the Ministry of Finance abont Nomura's links with *sokaiya*.

Nomura has been accused by the government of illegally compensating *sokaiya* for losses on a securities account during 1995. Several former company officials have been indicted, including *Mr Hideo Sakamaki, the* former president

The company is expected to acknowledge at the bearing that it did hava links with *sokaiya*. It expected to hear what penalty it would face from ths government next week, Nomura officials yesterday said.

Some government officials have indicated that the penalties against Nomura are likely to be the most severe seen in Japan for corporate corruption, involving the suspension of part of the company's business for several months.

However, tbe government's plans to make an example of Nomurs hava been complicated in recent weeks by revelations of a similar scandal at Dai-Ichi Kangyo, Japan's second largest bank.

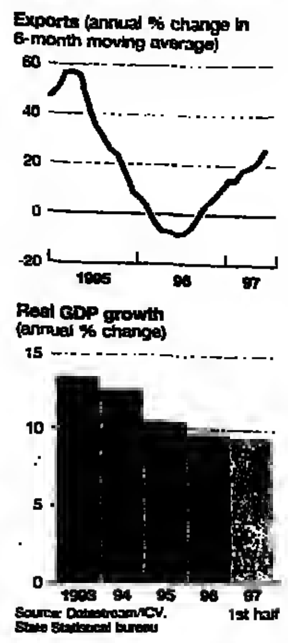
DKB is also expected to hear what penalties it will face in coming days, following the arrest and indictment of several senior DKB officials over the case in recent weeks.

Meanwhile, the events hava been further clouded in recent weeks by the government's decision to extend its inquiry to look at the other three large Japanese securities houses – Daiwa, Nikko and Yamaichi.

China sees 9.5% growth in first half

By James Harding in Shanghai

China: mixed fortunes



Source: Datastream/ICV. State Statistical bureau

China yesterday reported economic growth of 9.5 per cent in the first half of this year after a surge in exports drove the gross domestic product well ahead of the government target.

The economy, bowever, is increasingly burdened by growing stockpiles and rising losses at defunct state-owned enterprises.

The State Statistical Bureau (SSB) said GDP in the first six months of the year was Yn3,318bn ($400bn), 9.5 per cent up on the same period in 1996 and up slightly from 9.4 per cent in the first quarter of this year.

Exports were valued at $80.8bn, a 26.2 per cent rise on the same period last year, leaving China on course to *outstrip the forecast* by tbe prime minister, Mr Li Peng,that GDP growtb would be8 per cent for 1997. Imports fell 0.1 per cent to $63.05bn.

Government officials nevertheless acknowledged the looming problem of bankruptcies and mass redundancies after reporting that losses in the state sector rose 9.2 per cent to Yn67.4bn in the same period. Profits at profitsble state enterprises were just Yn6bn.

"Some enterprises *are* having economic difficulties and have seen output decline, or are not running at capacity and bave sent bome many workers," said Mr Ye Zben, SSB spokesman.

Stockpiles are also rising, signalling a growing problem of over-capacity. Mr Ye said the value of stockpiles held by industrial rompanies had risen 12.9 per cent year-on-year to Yn569.6bn.

The SSB also reported first-half industrial output up 11.6 per cent, while fixed-asset investment increased 13.5 per cent year-on-year. China's domestic market continued to grow solidly, with retail sales of consumer goods up 12.1 per cent in real terms and sales of capital goods up 8.3 per cent over the same period.

Separately, tbe Ministry of Finance announced rapid growth in tax revenue in the first half of this year, but signalled further strain oo its national budget by acknowledging that expenditure increases outpaced revenue growtb in some areas.

Revenue rose 21.1 per cent to Yn351.2bn, well above a forecast 14 per cent increase, giving China a surplus of Yn38.8bn by the end of June. The sharp revenue increase was attributed to tbe rise in stamp tax collection, after the rate was raised earlier tbis year to cool what authorities in Beijing perceive to be an overbeated market.

Officials remain concerned however, by the rising amount of tax owed by businesses and tbat "fiscal expenditure in some areas had risen too fast, ontpacing revenue."

HK legislature faces first court challenge

By Louise Lucas in Hong Kong

A landmark court hearing challenging the legitimacy of *Hong Kong's provisional* legislature kicked off yesterday with the government's repreaentative arguing that the courts were not qualified to rule on the subject.

The case, which is expected to conclude tomorrow, is being scrutinised closely as the first legal challenge to the Beijing-backed body which replaced the democratically elected legislature when China resumed sovereignty on July 1.

The new regime also came under fire yesterday from protesters who denounced Mr Tung Chee-hwa, the new Beijing-appointed chief executive, for his position on deporting children, labour rights laws and free speech. A new law threatens to deport young Chinese migrants for entering Hong Kong illegally, hut critics say the children are entitled to stay because at least one parent is a permanent resident in Hong Kong.

Experts said confidence in the new government and the rule of law would plummet if the outcome of these legal challenges showed judges' impartiality had yielded to political expediency.

The case that opened yesterday arose from a corruption trial in which defence lawyers argued that their clients could not be tried *because the charges against* them ceased to exist at midnight on June 30.

The case has already been dogged by controversy. At *the last minute* the *legal* aid department opted not to assign a senior counsel, despite tba importance of the case and the perceived need for both sides to be given fair representation.

The two barristers acting for the defendants subaequently sought to withdraw from the case yesterday morning, hut were told by the solicitor-general that it would be unethical for them to do so. As a result they remained in court with a brief to assist, unpaid.

The court was told by Mr Daniel Fung, solicitor-general, that there was no question that the rules remained the same after June 30.

Moreover, he said, the courts of the Special Administrative Region of Hong Kong had no jurisdiction to rule on the legality of the provisional legislature – just as the courts under colonial rule had no right to challenge acts of the UK parliament.

Port Moresby governor defeats Somare after four parties unite

PNG elects reformist premier

By Bruce Jacques in Sydney

Mr Bill Skate, governor of Port Moresby, has been alacted prime minister of Papua New Guinea after last-minute negotiations resulted in a coalition of formerly rival parties.

Mr Skate was elected in a vote *yesterday* by *members* of PNG's 109-seat parliament. He comfortably defeated Sir Michael Somare, the country's first prime minister after it gained independence in 1975. Sir Michael, who was backed by a coalition of former opposition parties, had been the favourite to win the ballot until the People's Democratic Movement and Mr Skate's People'a National Congress defected to join up with the country's two other *main* parties, the *People's* Progress party and Pangu party, which had comprised the former ruling coalition.

Sir Michael was also *defeated* for the post of parliamentary speaker by Mr John Pundari, a member of Pangu.

Mr Skate will replace Sir Julius Chan as prime minister. Sir Julius lost his seat in last month's elections but is believed to have played a key part in Mr Skate'a selection as premier.

Mr Skate comes to the job with reformist credentials. During a heated election campaign, he accused the former Chan government of corruption and strongly criticised its failed plan to hire mercenaries for use against armed secessionists who have controlled Bougainville Island for almost a decade.

This stance, and yesterday's surprise release of five hostages hy the secessionists as a good will gesture, have raised hopes that Mr Skate can deliver much-needed stability to PNG politics.

The resource-rich country has been wracked by internal strife for most of this decade, compromising a number of important mineral developments. The starkest example is the world-ranking copper mine on Bougainville Island estabIisbed by Rio Tinto, the Anglo-Australian mining company.

Bougainville Copper, a Rio Tinto subsidiary, wrote down the value of the mine by K350m ($250m) in 1991. But *the company* reiterated yesterday that the mine retained a carrying value of more than K200m and that there was still a plan to resume operation "wben conditions on Bougainville permit".

Critics pointed out yesterday, bowever, that Mr Skate would bead a government dominated by the country's former rulers. Tbat was despite a clear show of voter anger witb tbe old guard, putting 13 new independents into the parliament. *In his* first address as prime minister, Mr Skate said 50-60 per cent of the old government's members bad gone.

However, Mr Chris Haiveta, the former deputy prime minister and Pangu party leader, who was criticised by a judicial inquiry into tbe mercenary affair, was expected to be resppointed. Mr Haiveta sat at Mr Skate's right hand during the vote.

The new prime minister promised to establisb an inquiry to examine alleged corrupt dealings by members of the former government. He also promised peace talks with the Bougainville secessionists.

Bill Skate: hopes of stability for PNG politics Reuter

Cambodia casts long shadow over Asean's celebrations

Phnom Penh coup has so far dashed hopes of 10-nation unity

The new logo of South-east *Asia's* top international club is a reminder of what should have been. Displayed at the convention centre in Kuala *Lumpur where the* Association of Sonth-East Asian Nations (Asean) is to hold its 30th anniversary celebrations this week, the logo shows 10 rice stalks bound tightly together.

But such unity has proved elusive. A plan to induct three new nations – Burma, Cambodia and Laos – to join Malaysia, Thailand, Singapore, the Philippines, Indonesia, Brunei and Vietnam to create an "Asean 10" during the celebrations has been scuppered by the recent coup in Cambodia.

Now only Burma and Laos are to be admitted into the grouping and the question of bow Asaan should treat Cambodia, along with the wider implications of what tbat treatment means for Asean's political future, casts a long shadow over the celebrations.

But the naw logo is to remain unchanged. "There is no point in changing it back now," said one Asean official. "We will just have to hope the 10th rice stalk joins us soon". Asean delayed Cambodia's membership after its second prime minister, *Mr Hun Sen, ousted* his co-premier, Mr Norodom Ranariddh, earlier this month.

Three Asean foreign ministers then took a peace-making mission to Beijing, Bangkok and Phnom Penh, *prompting some* to qnestion what had happened to Asean's principle of non-interference in the internal affairs of member countries.

This principle was *thrown* in the faces of Asean foreign ministers by Mr Hun Sen, who rebuffed efforts to create a caretaker government. But he has not stopped there in challenging Asean.

His hand-picked successor to Prince Ranariddh, Mr Ung Huot, tha foreign minister, plans to attend this week's meeting as an observer and has officially asked Asean to let the country into the grouping by the end of the month.

The arrival in Malaysia of a representative of the Hun Sen government – precisely the situation Asean had tried to avoid by delaying Cambodia's membership – puts Asean in a difficult position, as the organisation still recognises Prince Ranariddh as the country's first prime minister.

"If Asean accepts an *observer from Phnom Penh*, in this case Ung Huot, then they will be recognising the legitimacy of the coup," said Mr Ahmed Yaha, a royalist member of Cambodia's national assembly now in exile in Thailand.

Asean's job is *made* even harder by the fact that its international allies, who will attend tha post-summit meeting of the Asean Regional *Forum, are split* over what to do in Cambodia. China, and to a lesser extent Japan, seem willing to accept Mr Hun Sen; the US still wants the coalition government to oversee next year's national elections.

> 'There's no point in changing the logo now. We'll just have to hope the tenth rice stalk joins us soon'

The message from Mrs Madeleine Albright, US secretary of state, is particularly feared by some Asean *diplomats*. "She is likely to praise our Cambodia efforts, then turn around and ask us why we don't do the same in Burma," said one diplomat. "Everybody knows the question is a good one."

Signs are that the shift to greater intervention, though born from the short-term contingency of having to deal with Cambodia, may yet become a longer-term policy.

"Perhaps it is now appropriate for Asean seriously to consider the idea of 'constructive interventions'," wrote Mr Anwar Ibrahim, Malaysia's deputy prime minister, recently, reflecting the views of a number of Asean intellectuals.

He suggested such intervention could include help to *firm up the electoral* processes in Asean countries, an increased commitment to legal and administrative reforms, and the general *strengthening* of civil society and the rule of law.

If Asean were to move in such a direction, and it is far from certain it will, its brand of closed-door diplomacy might also be diluted because it would be difficult to keep snch interventions quiet, observers said. Signs are emerging that differences of opinion within the new expanded Asean may be more clearly on display.

For example, Vietnam has expressed support for Mr Hun Sen, whom it helped stay in power during the 1980s, and publicly opposed Asean's peace-msking efforts. In doing so, it irked many diplomats from other Asean countries, who recalled that a decision taken by consensus must be publicly defended.

Botb *Laos* and *Burma* hava said Asean sbould admit Cambodia right away, thus breaking the protocol of an organisation they will officially enter today.

A Rangoon-based diplomat said Burma thought it important to make its views known. "If Burma thought Asean was going down the interventionist road, the generals would never have asked to join," be added.

James Kynge and Ted Bardacke

US-Japan foreign policy split grows

By Gwen Robinson in Tokyo

Japan has informed the US it is likely to ignore Washington's hardline approach to the political turmoil in Cambodia, and recognise the successor to Prince Norodom Ranariddh, the ousted co-premier.

The move is the latest sign of Tokyo's growing divergence from Washington's foreign policy interests. It follows rejection earlier this year of US reqnests to provide food aid to North Korea.

In talks yesterday in Tokyo, Mr Yukihiko Ikeda, Japan's foreign minister told Mr Stephen Solarz, the US special envoy to Cambodia, that the US should take a "realistic approach" to the Cambodian crisis. *Later*, Mr Ryutaro Hashimoto, Japan's prime minister, said that "even if Japan and the US share the same goal of establishing peace in Cambodia, we may differ in our approaches. The US and Japan are entitled to bold different opinions".

The US objected to the recent ousting of Prince Ranariddh by his co-prime minister, Mr Hun Sen, and has signalled *disapproval of his decision to* convene a plenary session of the Cambodian parliament on July 28 to approve a new co-prime minister. The new co-leader is likely to be the foreign minister, Mr Ung Hnot, bnt Washington has said it has no intention of recognising the appointment.

Mr Solarz said yesterday that parliamentary endorsement of the new co-leader would be meaningless in the absence of members of *Prince Ranariddh's* party, Funcinpec, wbo bold seats in the Cambodian national assembly. He stressed that Cambodia should abide hy the peace agreement hrokered by the United Nations in 1991 that pnt an end to civil war in the country.

GLOBAL CLAIMS PROCESS TO IDENTIFY OWNERS OF DORMANT WORLD WAR II-ERA ACCOUNTS

Today, as part of a new, expedited claims process, the Swiss Bankers Association is publishing the list of all known World War II-era dormant accounts of non-Swiss individuals. This initiative will be administered by an international board of trustees and supervised by the Swiss Federal Banking Commission and the Independent Committee of Eminent Persons ("ICEP") chaired by Paul Volcker that was established to identify dormant accounts of Holocaust victims.

- ☐ The claims process is clear and simple. No fees are involved.
- ☐ The published list contains all known dormant Swiss bank accounts opened by non-Swiss customers before the end of World War II. A separate list of individuals who hold powers of attorney to these accounts is included to provide additional information.
- ☐ A list of all World War II-era dormant accounts of Swiss citizens will be made public in October. If any additional accounts are identified by the ICEP audit, they also will be made public.
- ☐ Because some accounts were held jointly and some account holders granted powers of attorney to others, there are more names listed than actual accounts.
- ☐ Ernst & Young, the international accounting organisation, will help individuals to submit claims in connection with the published list. Ernst & Young has set up contact offices in New York, Tel Aviv, Sydney, Budapest and Basle.
- ☐ An international panel of independent arbitrators will evaluate claims under relaxed standards of proof.
- ☐ Claims to published accounts will be resolved as soon as possible with a deadline of one year.
- ☐ The Swiss banks are committed to using unclaimed Holocaust-era funds for humanitarian or charitable purposes.

Please come forward. You will receive prompt and serious attention.
Thank you.

If you recognise a name on the list and believe you are the rightful owner of a dormant account, or if you have any information that would assist in locating a rightful owner, please complete the Information Kit Request Form and send it to one of the Ernst & Young contact offices listed below. You will receive an information kit written in plain English which describes fully the claims process and explains how to file a claim. Should you have any questions, please call the following freephone number: **0800 731 04 51**.

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Mendaro Y Romero De Ybarra, Maria Josefa
Mendel, Nancy, Alexandria, USA
Meneghini, Luigi, Rorschach, CH
Menglane, Francoise, Paris, F
Menten Dr., Ernestine, Warmond, NL
Mercier Du Paty, Marquis De Clam, Versailles, F
Merian, Ida, USA
Merkau, Alfred, Berlin, D
Metzger, Eugen, New York, USA
Meyer, Christiane, Strasbourg, F
Meyer, E.O., Strasbourg, F
Meyer, Erika
Meyer, Michael, USA
Meyer, Otto, New York, USA
Meyer, Paul, Rouen, F
Meyer, Paul, London, GB
Meyer, Rolf F., Baden b/Vienna, A
Meyer-Berlin, Nice, F
Meyerhof, Felix, Amsterdam, NL
Meyeringh, H.G., Peine, D
Meynial, Henry, Paris, F
Mezey, Véronika, Vienna, A
Mezière, Victorine Susanne, Nice, F
Michel, Richemond Georges and O. (Ms) and Marguerite and Germain and Georgette, Mulhouse, F
Michelsohn Dr., Michel I., Falticeni, RO
Michl, Darko, Vienna, A
Miedreich Dr., Franz and Elisabeth, Duisburg, D
Mielka, Helena, Warsaw, PL
Milicic Dr., Josip Sibe, Beograd, YU
Milleff Dr., Dimiter, Budapest, H
Milleron, Eugène and Marguerite, St-Aubin, F
Millet, François and Jeanne, Neuilly-Sur-Seine, F
Mincoff Dr., Nicola, Sofia, BG
Minichshofer, Ernst, Fussach, A
Mock, Elisa, A
Moesle, J., St. Sauveur, F
Moghadam, Léon, Kabul, AFG
Moholy, Ladislaus, Berlin Charlottenburg/London, D/GB
Moitroux, Jakob Hubert, Bruxelleskochelberg, B
Moll, Carl and Anna, Vienna, A
Möllinger, Josef, Bad-Krozingen, D
Monceetz, Geneviève De, Paris, F
Moncorgé, Charles Roger, Roanne, F
Monget, Marie, F
Mönius Dr., Munich, D
Montel, Violetta La Baronne, Rome, I
Moos, Dominik, Bensheim a.d.b. / Nantes, D / F
Moosbrugger, A., Feldkirch, A
Mora, Anecleto
Morasso, Giovanni, Genoa, I
Moreillon-Montadon, Suzanne, Paris, F
Morel De Foucaucourt, Henri, F
Moreno, Daniele, Rome, I
Morris, Elisabeth, New York, USA
Mortara, Giuseppe and Franco, Bologna, I
Mosaureles, Rata, Budapest, H
Mosciatelli, Luigi, Piuro, I
Moscona, Henry and Henriette, Bucharest, RO
Moser, Adolf, Zurich, CH
Mosimann, Alice, Zurich, CH
Moskovic, Felix, Ljubljana, SLO
Moulierac, André, Nice, F
Moulierac, Madeleine, Nice, F
Moulin, Marie, Lyons, F
Moyat, Antonin, Chalon s/Saône, F
Mueller, Alfred, Offenbach, D
Mueller, Anna Hadwig, London, GB
Muersch, Ernest and Elisabeth, St-Marie aux Mines, F
Muller, Alfred, Samois, F
Müller, Carol, Bucharest, RO
Müller, Emil, Liverpool, GB
Müller, Eugen, Helsingfors, FIN
Müller, Fritz, Esslingen A. N., D
Müller, Josef, Constznce, D
Müller, Karl, Berlin-Charlottenburg, D
Müller, Trude, Salzburg, A
Munch, Adolf, YU
Mundt, Gustav, Berlin, D
Munk, Klaus, Reutlingen, D
Munnich, Plona V. Sesztina, Debrecen, H
Nagel, Rudolf, D
Nagu, Nicolaus, Budapest, H
Nagy, Ladislaus
Najman, Nikola, Belgrade, YU
Natkey, Maurice, Bern, CH
Naulleau, Jacques Henri Olivier and Pauline Marie Désirée, Angers, F
Naumann, K., Zurich, CH
Neculitza Von, Demeter, Costina Judet Suceava, RO
Neubauer, Paula, Teplice Sanovtz, CZ
Neumayer, Rudolf, Feldkirch, A
Neurath, Elfriede, Vienna, A
Neussl Sel, Paul, Linz, A
Nice, Maria, Frankfurt, D
Nicolau Gomez, Antinio and Alvaro and Luis and Mathilde and Carolina and Gabriela and Dolores, Barcelona, E
Nicolopoulos, Georges, Athens, GR
Nicolopoulos, Nico, Athens, GR
Niederkorn, Andree, Metz, F
Niehans, Albert
Nieuwkerk, Annie, NL

Nilfenegger, Ernest
Nikolitch Pedrag, Shipley, GB
Nilsson, Ragna, Saltsjoebaden, S
Nobel Dr., Lazlo, H
Noé, Helene
Noetinger, Paul and H., Nancy, F
Nogueira, Clementina, Porto, P
Noguier, François and Marie-Thérèse, F
Nouradormikian, Souren
Novak, Wanka, FL
Novo-Lory (Horne), Marie Louise Joséphine Marseille, F
Nv Nederlandsche Maalschappy Amsterdam, NL
Oberländer, S., Melbourne, AUS
Obrrutsheva, Aglaida
Ogneanoff, Savka, Sofia, BG
Offer, Yvonne and Aviator, Paris, F
Olivas, Jose, Rorschach, CH
Omnifinance SA, Luxembourg, L
Opielinska Dr., Helene, Sroda, PL
Oppenheim, Uwe Emil, Budapest
Oprescu, Georges, Geneva, CH
Osio De, Rosarito, F
Osman, Babiker A, Jeddah, SA
Oswald, Adolf, Rheinfelden, D
Otermin Y Huarte, Rafael
Ott, Camille, F
Ouvaroff, Catherine, Geneva, CH
Pacetti, Antoine, F
Pache, Catherine, Lyons, F
Pagniez, Madeleine and Paul, Calais, F
Palaminy De Marquis, Frédéric Marie Samuel Eimar, Carères s/Garonne, F
Palivec, Vaclav, Prague, CZ
Panier Mgr., F
Pantic, Milos, CH
Papadopoulos, Konstantinos, Athens, GR
Papazian, R. and Ebros R., Paris, F
Pardany, Eduard, Budapest, H
Pardcik, Vera, Buchs, CH
Pardon, Robert, Paris, F
Paris, Louise, Paris, F
Pariser Dr., Käthe, Berlin-Charlottenburg, D
Parisot, Marguerite and Marcelle, Nancy, F
Parmann, William J., Michigan, USA
Parnegg, Hermann
Parnegg, Leopold
Paschoud, F. Mls
Pastoukoff, Catherine, Geneva, CH
Pataky, Gisela, Buenos Aires, RA
Paul-Albert, Eugene and Marie, Paris, F
Pavloff, Hélène, Sofia, BG
Pawlicka, Jadwiga
Payen, Charles and Annette, Lyons, F
Payer, Paula, Frankfurt, D
Pelissier, Clémence, F
Pérault, Madeleine and Eugenie and Emile Rodolphe, Marseille, F
Perdrizel, Elisa, Mulhouse
Perl, Rosa, Liepaja, LT
Perollaz, Albert, Bonneville, F
Persky, Martin, Berlin, D
Petcoff Dr., Petco Dobrieff, Sofia, BG
Peter Frieds, C., Paris, F
Peters, Viktoria, Bilbao, E
Petitgrand, Edmond and Raymond and Andree, Paris, F
Petrini, P. J., Paris, F
Pfiffner, Walter, Feldkirch, A
Pfister, Edmund, A
Pfleiderer, Yolanda Maria, Sao Paolo, BR
Pfotenhauer, Eleonore
Pfyffer, Georg, Paris, F
Picard, Céline, Belfort, F
Piédelièvre, Louis, Paris, F
Piek, S., Hamburg, D
Pigallet, Maurice, Besançon, F
Pillement, Georges, Paris, F
Piltz, Walter, Stuttgart, D
Pistor, Dorothe, Vienna, A
Pithois, Jean and Marguerite, F
Pitlik, Marie, Jihlava, CZ
Pitlik, Marie, CZ
Plasser, Franz, A
Plat Dr., Pierre, Châteauroux, F
Poirier, Marie-Antoinette, Bourgoin, F
Polacsek, Josef
Politzer, Alejandro, RA
Politzer, Bartholomäus, Bucharest, RO
Pollak, Aleksander, Bjelovar, HR
Polo, Ramona, Saragoza, E
Pommery De, Jeanne
Pommery De, Joseph and Geneviève, Dienhouart, F
Pons Carreras De Riera, Margarita, E
Popendicker, Gudrun
Popoff Dr., Nikola, Sofia, BG
Porret, Enriqueta, E
Portatius, Karl, Berlin, D
Porte, Henri and Henrie, F
Pospisil, Francesco, Turin, I
Pragier, Raymond, F
Prang, Marthe, Colmar, F
Pransnitz, Friedrich, Cologne, D
Prati, Josephine, Lodi / Milan, I
Prats, Carmen, Valencia, E
Predovic A.D., Belgrade, YU
Preis, Harold, Vienna, A
Prestopino, Felice, Cairo, ET
Prodanof, Christu, RO
Prodon, Anna, St. Chamond, F
Prodon, Paul, La Bruyère-Izieux Loire, F
Provôt, Georges and Germaine, Paris, F
Pruessner, Hans-Heinrich, Diepoldsau, CH
Pruvot, Marianne-Alice, Sceaux, F
Przepiocka, David, D
Pugin, Albert, Paris, F
Pujol, Thomas, Nauriev
Pujot, Thomas, Buenos Aires, RA
Queipo De Llano Y Fernandez, M., E
Quist, Bent, Nykobing, DK
Rabinovici, Samuel, Bucharest, RO
Radegonda, Anne-Marie, Bois D'Amont, F
Radulescu, Ella, Bucharest, RO
Ralli Fu Costantino, Argentina, Trieste, I
Ralling, G.St.H., GB
Ramos Pinto Da Cunha, Otilia and Maria Amelia Rosa and Maria Izabel and Gonçalo and Christovao and Alfredo, Villa Nova De Gaia, P
Randu, Simon, Lyons, F
Raschkoff, Georgi W., Razgrad, BG
Rast, Michael, Geneva, CH
Ratt, Erika, CH
Rauch, Franz, Rankweil, A
Rauch, Max, Salzburg, A
Rausch Sohn J.W., Constance, D
Ravenet, Berthe, Giorgio Maggiore, I
Ray, Joseph, Paris, F
Reber, Peter, Rheinfelden, D
Reber, Wilhelm, Frankfurt a.M., D
Rei, Vincenzo, Le Sentier, CH
Reinhold, Mignon
Reinke, Helene, Ueberlingen, D
Reisinger, Herbert, A
Reiter, Hubert and Helga, Hanover, D
Remanis, Julijs-Teodors, Riga, LT
Remanis, Julijs-Theodors, Riga, LT
Remond, Henri Edmond, Roche Sur Rognon, F
Remond, Julie, Manois, F
Renouard, Jané and Catherine, St. Cloud, F
Reusser, Alfred, USA

Reuter, Carl, Stuttgart, D
Rey Comtesse, Hedwige, F
Rey Jeanne, Jeanne, Rhodon-Chevreuse
Rhein Dr., Lucie, Strasbourg, F
Ribeyron, Marguerite, Paris, F
Ricca, José, Buenos Aires, RA
Riccardo, A., CZ
Richardson, Georges
Richonnier, Emilie Claudine, Lyons, F
Richshoffer, Frédéric, Paris, F
Richshoffer, Léonie and Fréderic, Strasbourg, F
Richler, Hans, IR
Richter, Maria
Richter, Maria
Richter, Theodor
Rickmers, A., CH
Riedel, Oskar and Frieda, Munich, D
Riesen, Heinrich, Pesochnoje, RUS
Rigas Augludenu Un Mineraludenu Fabrika, Riga, LT
Riguzzi, Giuseppe, Bologna, I
Rilke, Herbert, Mailand, I
Rinterknecht, Angela and René, Colmar, F
Ritter, Antoinette, Yokohama, J
Ritter-Luterbacher, Rob., Berlin, D
Rivier, Jenny, F
Rivier Prof., W., F
Rivoire, Jeanne and Pierra, Nice, F
Rizzi Dr., W., Vienna, A
Robert, Germaine, Sarrebourg, F
Rochline, Marc, Paris, F
Roedar, Max Curt, D
Roescher E.O., Linz, A
Rohonyi Dr., Nikolaus and N., Budapest, H
Rohonyi Dr., Oskar and J., Komaron, CZ
Rolla Rosazza, Anna, Turin, I
Rolland, Louise, F
Roller, Albert, Stuttgart, D
Romandy, Arpad, Feldkirch, A
Romanet De, Pierre, F
Romanoff, V.V. and Alexandra V., Paris, F
Römer, A., Constance, D
Rosati, Giulio and Pietro and Massimiliano, Sesto-Fiorentino, I
Rösch, Frieda, Rheinfelden, D
Rösch, Jakob, Rheinfelden, D
Rosenthal, Walter, Ridgefield/N.Y., USA
Rosi, Antonio, Grabs, CH
Rosmann, Klaus, Oberriet, CH
Rosset, Laure, F
Rossini, Alexander, I
Rosskamm, Alfred, London/Portsmouth, GB
Roth, Harmann, Vienna, A
Roussel, Raymond and Marie-Louise and Germaine, F
Roussel, Suzanne, Montpellier, F
Rousselet, M. A., Paris, F
Roux, Albert, F
Royer, Marie and Georges, Nice, F
Rubinstein Hirsch, Muri, CH
Rubod, Josef, Lyons, F
Rücklin, Martha Maria, Pforzhalm, D
Ruebsaman, Rosa, Hergatz, D
Rukavina, Friedrich, Zagreb, HR
Rund, Amanda, Katowice, PL
Ruoss, Hugo, Bregenz, A
Rupf, Peter
Russo, Rosarla, CH
Ruttkay, W., Budapest, H
Ruyer, Auguste and Marguerite, Sanvic, F
Sabani, Hajrula, Heerbrugg, CH
Sabatino, Angelo, I
Sacher, Friedr., Olavarria
Sachs, Ella, D
Sackheim, Hirsch, Zurich, CH
Sagerer, Hans, Munich, D
Sahuqué, Gabrielle, Nanterre, F
Saint-Martin, Denise, Besancon, F
Saint-Martin, Pierre and Yvonne, Besancon, F
Saitschner, Vienna, A
Saladin, Gaston and Beatrice, Paris, F
Salerno, Rino and Calvisi Sannitic, Caserta, I
Salhi, Fatima, Basle, CH
Salmonowitz Dr., David, Riga, LT
Salmsön, Emile, F
Salti, Vitali J and Rachel, Istanbul, TR
Samain Dr., Henri, Saint-Erme, F
Samso, José, Barcelona, E
Sapountzoglou, Marika, Rorschach, CH
Saurel, Ms., Dijon, F
Sauter, Fritz, Wollmatingen, D
Sautter, Jean, Paris, F
Savic, Donka, Widnau, CH
Sazy, Georges, F
Schaarschmitd, Friedrich, Bielefeld, D
Schaedler, Katharina, Schaan, FL
Schaeffer, Gerhard, Berlin, D
Schäfer, Lina, Kassel-Willhelmshöhe, D
Schallar, André and Maxime, Strasbourg, F
Schaller, Jules and Georges and Jean, Strasbourg, F
Schatz, Albart, Constance, D
Schatzar, Eveline, Lustenau, A
Schatzmann, Alfred, Lima, PE
Schatzmann, Marie, Lima, PE
Schaudt, Karl Rolf, I
Schautt, Gottl., Constance, D
Schayestah Khan, Mahamed, Barcelona, E
Scheithauer, Emil, Vienna, A
Schenker and Co, Istanbul, TR
Scheps, H., London, GB
Scherb, Thérèse, Türkheim, F
Scherbak, Paula, Brno, CZ
Scherneck, Heinrich, Siegsdorf, D
Schaurer, Jean and Ivan and Suzanne Marie Pauline, Bagnoles De l'Orna, F
Schiaffino, Laurent and Louise, Algiers, DZ
Schiele, Olga, Dresden, D
Schigert, Robert, F
Schillar, Adolf, Berlin, D
Schilling, Manfred, Rheineck, CH
Schirmer, Ludwig, A
Schittkowski, Harri, Hanover, D
Schlesinger Dr., Karl, Vienna, A
Schlie, Heinrich, Zagreb, YU
Schlumberger, Paul and Georgette, Nogent, F
Schmid, J., Antwerp
Schmid, Paul, Rheinfelden, D
Schmidt, Bruno, Eisenach, GB
Schmidt, Charles, Paris, F
Schmidt, G., Dresden, D
Schmidt, Gernot, Eggenfelden Wd, D
Schmitz, H., Munich, D
Schneider, Hans, La Gareme/Colombes, F
Schneider, Walter, Stuttgart-Ost, D
Schoen, André, Mulhouse, F
Schonberg, Eric, Stockholm/Äppeloiken, S
Schönholzer, Franz
Schrab, Paula, Schlott, D
Schreiber, G., Belgrade, YU
Schriefel, Anny, Klagenfurt, A
Schubert, Henri and Louis, Paris, F
Schulenberg, Friedrich, D
Schuller, Joseph, RO
Schulmann, Hélène, Neuilly s/Seine, F
Schultz, Ernst, Saarlouis, D
Schulz, Otto, Neubrandenburg, D
Schulz, Robert, Berlin-Zehlendorf, D
Schutzle, Frieda, Isola Di Capri, I
Schwaiger, Walter, Bregenz, A
Schwarz, Patricia, Paris, F
Schwarzkopf, Ernst and Ida, Prague, CZ
Schweizer, Paula, Merano, I
Schwendener, Walter and Suzanne, Mulhouse, F
Seemann, F., Berlin, D
Seevagen, Anne-Marie Léonie, Ile De Bréhat, F
Seidl, Hilda
Seiffert, Elise, Paris, F
Seinnberger, H.U., Olsberg
Serx Y Faya, Francisco, Barcelona, E
Selchert, Theodor Carl
Selim, Eyup, Flawil, CH
Sembel, Guillaume, Clermont-Ferrand, F
Semis, Heinrich, Vienna, A
Serveux, Franziska, ET
Severin, Kurt, A
Seya, P., Stockholm, S
Seyd, Charles, Brussels, B
Sgalitzer Prof. Dr., Max, Vienna, A
Siahou Barouck, Hrahim, Mendoza, RA
Sik, Helene, A
Silbiger Dr., S., PL
Simic, Stanoje, Bratislava, SK
Simon, Antoine, F
Sinauer, Florine, Paris, F
Sinegger, Helene, Vöhringen, D
Singer, Paula, Lydney Glos, GB
Sirmois, Koudis, Ghorzvine/Teheran, IR
Sittig, Karl
Sivrlin, A., Petograd, RUS
Skampas, Wasilios, Munich, D
Skinnar, Shirley Esther, New York, USA
Skoeld, Giovanni Alessandro, Rome, I
Slavonische Kohlen-Handels Ges. Kaufmann & Co. Zagreb, HR
Slobotzki, Erna, Pittsburgh, USA
Slotnarin, Wilhalmine, Peitaiho, China
Smith, Alan John R., GB
Smith Dr., J., Rotterdam, NL
Soc. Caradium, Strasbourg, F
Société Etzblissement Rios
Societe Pour Le Developement, Schaan, FL
Soden Von, Adale, Dresden-Blasewitz, D
Sohlar, Francesco, London, GB
Soloweitschik, Wladimir, Berlin, D
Somazzi, Carlo Gabriela, I
Somazzi, Vincenzo
Sonnenberg, Alfred, Lustenau, A
Sosnik, Anton, Hechendorf a. P., D
Soullier, Louis, AUS
Soupault, Robert, Paris, F
Soyer, Claire, F
Spaeth, Luigi, Naples/Nice, I/F
Sperber, Max, Berlin, D
Sperling Dr., Teodor and Peppi, Tel-Aviv, IL
Spiro, Bruno and S., Hamburg, D
Spoerry, Henri and J., Mulhouse, F
Sraffa, Angelo, Milan, I
Stadelhofer, Adolf, Wollmatingen, D
Stäheli, Eugen, Rome, I
Staiger-Schaefer, Lydia, Basle, CH
Stambach, Victor, Colmar, F
Stanesco, Lucie, Craiova, RO
Starke, Frank, Salo, I
Statescu Prof., Victor, CH
Staub, Emile
Staub, Paulina
Stecker, Marla, Constance, D
Stefan, Alois, Beograd, YU
Stefanoff Jr., Sava, BG
Steffanizzi, Giuseppe, Les Bioux, CH
Stehle, Lucie, Village-Neuf, F
Steil, Anna, Gernrode am Harz, D
Steinbrugge, Camilla, F
Steinbrugge, Elsa, F
Stemlin, Robert
Stéphanovitch, L.V., Beograd, YU
Stewart, D. M., Hatch End, GB
Stierle, Hilda, Constance, D
Stifel, Asta, Cologne, D
Stiffler, K. and L., USA
Stoller, Samuel, D
Stoopman-Glaser, A. J. M., Asuncion, PY
Stratmann, Carl, Adelaide, AUS
Strauss, Anna-Marie, Vigo, E
Strauss, Fritz, Paris, F
Strayer, Brandford K., Plain City, USA
Strittmatter, Marie, Rheinfelden, D
Strobel, Katharina, Balingen, D
Strumpell, Alice, F
Stücher, Alfred, Siegen, D
Stucke, Hermann, Waldshut, D
Sudlek, Alfred, Suresnes, F
Sugar, Irene, B
Sulcebe Dr., Hamdi Mehmet, AL
Sullivan Dr., Ms., Teheran, IR
Sunny, Francis, Gland, CH
Surowitz, Erich, Salzburg, A
Sutter-Faller, H., Lörrach, D
Szöllös Dr., Hainrich, H
Szücs Dr., Eda, Padej, YU
Szymura, Antoni, Dabrowa Gornicza, PL
T Jong, Arie and Ine, Gv Hooren, NL
Tafuro, Pietro, St Gallenkappel, CH
Takvorian Dr., Nichan Garabet, Sofia, BG
Talleyrand De Duchesse, Anna, Paris, F
Talvard, Léonce Narcisse and Jeanne Susanne Helene, Bonneval, F
Tatos, Théodor, RO
Tatu, Maria, Besançon, F
Taugourdeau, Emile Louis
Tavoularis, Kiriakos, Athens, GR
Teintureria St-Marlenne, F
Teitel, Sergej and Wera, Riga, LT
Telloglou, Anastase J., Istanbul, TR
Teltsik, Olga, CZ
Tenanbaum, Jos., CH
Tarc, Izrael, Buenos Aires, RA
Terras, Louise
Thannar Dr., Julius, Zurich, CH
Theil, Arthur, Verden Aller Da, D
Thaiss, Xavier, Dornack Près Mulhouse, F
Thery, Jean-Paul, Paris, F
Thibouville, Valentine Marie Marthe, Paris, F
Thiel, Berthold, D
Thiel, Gebr. Gmbh, Dantzig/Gdansk, PL
Thierry, Maxime, Par Allogny, F
Thil, Hennette
Thillaye Du Boullay, Maurice, Deville Les Rouen, F
Thomas, Wilhelm, D
Thurn Gräfin, Elsa, Vienna, A
Thurnherr, A., Belfort, F
Tilche, Albert and Linda, Paris, F
Tilles Dr., Henryk, Bucharest/Mexico, RO/MEX
Timmermann, Richard, D
Tissot, François, F
Tittinger, Leon, Chernivtsi, RO
Tivillier, Jeanne, Lyons, F
Todoroff, Sava, BG
Toepfer, Else, Vienna, A
Tomich, Gio, CH
Töpfner, Julius, Vienna, A
Toptsis, Antonio, Uerikon, CH
Tornow, Bodo, Frankfurt A.M., D
Török, Albert, Schwyz, CH
Touvel, Yvonne, Valdoie, F
Trapesonzian, Anna, Yerevan, ARM
Trassard-Deslaudes, Jeanne, Auvillar, F
Travers, Félix, Lyons, F
Treca, Sophie Marie Lucie, Bavay, F
Trèche-Humbert, Jeanne, Nancy, F
Treek, Robert, Cairo, ET
Trepmann, Abraham, Biarritz, F
Trepper, Hans Joachim, Origgio
Trinquet, Anne-Marie and Madeleine, Aix-en-Provence, F
Trolle, Henri and Yvonne, Paris, F
Trpesonzian Dr., Chatscheres, Yerevan, ARM
Trub, Emile, Bouches-du Rhone, F
Trüb, Julius, A
Tschann, Ernst, Buenos-Aires, BR
Tschudi, Mathilde, I
Tuchmann Ltd., London, GB
Tuka Dr., Vojtech, Vienna, A
Ueberschlag, C., Neuwiller, F
Ueberschlag, Robert and Elisabeth, Czestochowa, CZ
Uiker Dr., Constance, D
Ujj, Marie, Vienna, A
Ummard, Minna, Berlin, D
Ungar, Alexandar, USA
Universa Frankfurt
Unlimited Investments AG, Schaan, FL
Urban, Schiltigheim, F
Urquijo Y Aguirre, Tomas, E
Vajda, Armin, Budapest, H
Vajda Dr., Andreas, Komarom-Komarno, SK
Valade, André and Simone and Maria-Louise, Amiens, F
Valdji, Tibere C., F
Valkay Von, Bartholomeus, Budapest, H
Van, Necati, St. Margrethen, CH
Van Diepeningen, Franz, Bloemendaal, NL
Van Loo, Nicholas E.
Van Versen, William, Berlin, D
Vazou, Marie, Songeons, F
Veberic, Joseph, Bistrica, BIH
Venzmer, Federico, Buenos Aires, RA
Vereinigte Rebanlagen, F
Vesely, Marie, Abbazia, H
Vestergaard, Jens, Aarhus, DK
Vetter, Hubert, Lustenau, A
Viallard, Albert, F
Vigo, Clara, New York, USA
Vilain, Jean and Martha and Marguerita, Strasbourg, F
Villandy, Albert, Paris, F
Villarino, Jose, Bad Ragaz, CH
Villiers De La Noua, Yvonna, Paris, F
Vischoff, Horne, CH
Visconti Graf, Francesco
Viuda Da Lachambre, Maria, Barcelona, E
Vogel, Bertha, Strasbourg, F
Vogel, Franz, Freiburg, D
Vogel, Manfred, Lustenau, A
Vögeli, Jos. Ed., Bonn, D
Vögeli, Oscar B., Washington, USA
Vogl, Karl, D
Von Avenarius, Theodor, Berlin, D
Von Dem Bussche Freiherr, D. and Eleonora, Berlin, D
Von Dirsztay Dr. Baron, Andor, Budapest, H
Von Dorsten, Wilhelm
Von Drabich, Günther, Höhenbühl b. Glattbrugg, CH
Von Franken-Sierstorpff Graf, Clemens
Von Glasenapp, Käthe, Potsdam, D
Von Hiblar, Gedeon, Innsbruck, A
Von Langen, Ed., Drassingen, D
Von Luterau, Marie
Von Münnich, Aladar, Budapest, H
Von Ow, Wilhelm, Büsingen, D
Von Sonntag, Eugenie, Stuttgart, D
Von Ujszaszy, Stefan, Budapest, H
Von Vacchiery, Ida H., Merno, I
Von Weiss, Ferdinand, Geneva, CH
Vorlaender, Hans, Kobe, J
Vriesman Dr., Emilie, Lucerne, CH
Vulitch De, Douchan and Antoinette and Vladimir, F
Wadd, Kenneth T., Cornwall, GB
Wagner, Hans, Berlin, D
Wähler, Konrad Reinhard, I
Wähler, Max Bruno, Löbichau, D
Walch, Stefanie, Satteins, A
Waldenmeyer, Robert, Mulhouse, F
Walder, Wilhelm, New York, USA
Walliser, L., Rheinfelden, D
Wallnar, Johann, A
Walser-Wald & Cia, Buenos Aires, RA
Walther, Marcel, Paris, F
Walz, Albert, Munich, D
Wala, Hermann and Josefine, Madrid, E
Wanner, Lilly, Peonia
Wasilewski Dr., W., Berlin, D
Wassmer, Anna, Rheinfelden, D
Watelle, Donat Paul, Cambrai, F
Watson, Rupert C., USA
Wattenwyl von, Louis
Wattenwyl von, Reinhard
Weber, Jean, Brussels, B
Weber, Renee
Weber, Stephan Emanuel, Calcutta, IND
Weber Dr., Walter, Istanbul/Zagreb, YU/TR
Weick, Jeanne, Mulhouse, F
Weidenhaus, Lucia, CZ
Weil, S.H., Gailingen, D
Weill, Léon, Milan, I
Weinreich, B.O., Jerusalem, IL
Weiss, Emil H.
Weiss, Louise, Paris, F
Weiss, Robert, Vienna, A
Wekerle, Harmann, Bludenz, A
Wendland Dr., Hans, D
Werner, Lisbeth
Werner, Theodor, Potsdam, D
Wertheimer, Frieda, Constance, D
Wessel De Shaw, Alice
Wessing, Rud., Paris, F
Wetter, Max, Pietzing Post Endorf, D
Wickswat, H. Ms., New Jersey, USA
Widerkehr, Louis-Pierre and Léna, Türckheim, F
Widmann, Frieda
Widmer, Jacob, Constance, D
Wiener, Hanry, Paris, F
Wiese, Otto, Java, RI
Wilhelm, Maria, Cernay, F
Wilkils, Basle, CH
Wilski, Stefan, Kattowitz, PL
Winckler, Theo, Bischwiller, F
Winkler, Théo and M., Bischwiler, F
Winth, Maria, Rheinfelden, D
Wintuhalter, Leo, Rheinfelden, D
Wirbel, H., Paris, F
Wirth, Friedrich, Bratislava, SK
Wisiak, Helene, Klagenfurt, A
Wittlich, Joh., Rheinfelden, D
Witlin, Vreneli, Petit-Savornex
Witzner, Ladislaus, Schaan, FL
Wöhrla, Juliette, Constance, D
Wolde, Ludwig, Berlin, D
Wolf, Emil, Lindau, D
Wolf, Susi, Bucharest, RO
Woschnagg, Max, Klagenfurt, A
Wubbe, Constanes
Wygnanki, Bruno, Santiago, RCH
Xenakis, Nicolas J, Braila, RO
Yannaghas, Eustache and Eugénie
Ybarra Y Lopez De Calle, Carmen, St. Jean De Luz, F
Yebra, Luis, Widnau, CH
Yellen, Fern, Iowa, USA
Yildirim, Ahmed, St Gallen, CH
Zaeppfel, Louis and Jean and Jeanne, St-Marine Aux Mines, F
Zamolo, Umberto, Venzone, I
Zampaglione, Joseph, CH
Zandec Jane Muriel, Berlin, D
Zehnder Dr., M., Paris, F
Zehne, Herta, D
Zessing, E. and H., Lviv, PL
Zelinescu, Victor, Paris, F
Zeller, Hortense, Mulhouse, F
Ziebarth, Gerd, D
Zieglar, Elsa, Mülhausen, F
Zimmermann, Fred, Paris, F
Zimmermann, Rene, St-Marie Aux Mines, F
Zimmermann, Richard, Sighisoara, RO
Zollino, Eva, Le Sentier, CH
Zoltan, Ella, Budapest, H
Zorc, Vladimir, Balzers, FL
Zoubareff, Alexander, USA
Zu Eltz Gräfin, Sophie, Vukovar, HR
Zuber, Ernest and Olga, Boussières, F
Zuber, Louis, Rixheim, F
Zucker, Louise, Merano, I
Zuckerberg, Max, Galatz, RO
Zuggat, Artur, Dornbirn, A
Zurcher Dr., K., Constance, D
Zvibel Dr., Jean, Botosani, RO
Zwick Dr., Karl G., Cincinnati, USA

Power of Attorney Names

Achutegui Y Urquiza, Maria Luz
Adler, Franz
Adler, Lola
Adlar, Stefan
Agatstein, Angelica
Agatstein, Rachel
Ahrendt, Marie Jeanne
Albert, Philippe
Alibeau, Hanriatte
Amann, Theodor
Amigues
Amsler, Pierre
Andras, George
André, Jaques
Baierl, Johan
Ballif, Martha
Ballif, Thérèse
Balthaser, Waldemar
Bauar, Emelia
Beyer, Otto
Beillinger, Ernst
Bérard, Paul
Berg, Alexandre
Berger, Anny
Bergès-Pilsson, Suzanne
Blackmer, Henry M
Blanakoff, Lina
Bloch, Erwin
Blumgrund, Leo
Bodenehr, Elisabeth Dora
Bollack, Raymond E.
Bonin, Charles
Bonnet, Raoul
Borgeaud, Paulin
Bosc-Espatlier, Marie
Bouchard, Jeanne
Branicka Xavier Comtesse
Brasseur, Mathilde
Braun, Arnaud
Brewster, Harry
Brockhaus, Hans
Brockhaus Dr., Fritz Eduard
Bruckner, Inge
Brunet-Tchebotarevsky, Tamara
Calderon, Carlotta
Carrer Dr., Pier Luigi
Cépière, Paulette
Chapulut, Suzy
Chavance, Irène M.
Conrad, Hermann
Constantinesco, Lydia
Courmont, Georges
Cmadak, Klementine
Croset, Louis
Croset, Philippe
Cuny, Georges
Currie, Gladys R.
d'Aubigny, Jean
Dallet Dr., Josef
Danesova, Anna
Dassetrezel, Xaviar
De Boisfleury, Jean
de Clam Marquise
De Guaita, Josepha
de Guyencourt, Louise
de La Taille des Essarts Baron, Edgar
de Montravel, Marc
De Souza é Faro, Maria A.
De Tanfani di Montalto, Umberto
da Vaugirand, Ch.
de Wegner, Maria Josseja
del Solar Vives, Rafael
Denantes, Paula
Deroux, Ernest
Deroux, Joséphine
Desoer, Jean
Despin, Marguerite
Despin-Giresse, Jean
Despin-Giresse, Pétronille
Déthy, Janos
Déthy, Nelly
Devrez, Madeleine
Dobrovici, Marie
Doenitz-Juchert, Käthe
Domorazek, Wladimir
Domorazkova-Bas, Ottilie
Donath Dr., August
Drach, Georg
Drechsler, Alexander
Drechsler, Emile
du Chalard, Céline
du Chalard, Christian
Duchaussoy Baron
Dupont, Emile
Dupuis, Charles
Dupuis, René
Dupuy Chêne, Marie
Duschnitz, Jakob
Duschnitz, Therèse
Eckhardt, Albert
Ehrmann, Albert
Eichberg, Hans
Ensesa Cuatrecasas, Joaquin
Ensesa Pujadas, José
Enkson, Jeanne
Ernst, Ferdinand Otto Kurt
Escauriaza Ipina, Manuel
Esterhazy Dr. Fürst, Paul
Etcheverry Y Daniel, Juan
Etourneau
Feder, Käte
Feenders, Meta
Feferberg, Edysa
Fenner, Elsa
Ficacci, Pietro Alfonso
Firmenich, Fred
Fischer, Bertha
Fischer, Helene
Fonda, Savio Antonio
Font Alen, José
Fougères
Frank, Ernst
Frelon, Albert
Friedel, Augusta
Fuchs, Hermann
Fuchs, Magarete
Fochs Dr., Johannes
Först-Königstein, Rudolfine
Galicier, Albert
Galicier, Jean
Gabner, Louis
Galinska, Izabella
Geier, Herma
Gemuseus Dr., Alphonse
Georg
Georgescu, Mihail
Georgescu, Mihail Gr.
Gerhard, Martha
Giros, Henri
Giros, Marcel
Goetz, Alfred
Goetz, Berthe
Goetz, Jeanne
Goldstein, Halina
Goldstein, Icek
Gottlieb, B.
Grezner Dr., Frana
Griese, Friedrich Emil
Gros, Lola
Grossmann-May, Shirley
Grosz, Halda
Guanta de la Fuente, José
Guldner, Erwin
Guttman, Therese
Haag, Therese
Haberstroh, Veronica
Hamacher, Harry W.
Hamacher, Reiner
Hamacher-Pranger, Adele Margar
Haupt, Emilie
Haupt, Maria
Heintzmann, P.J.
Heller, Johannes
Hentsch, Pierre Edouard
Herzfeld, Ernst
Hess, Maria
Hess, Willy
Hirsch, Conrad
Hirsch, Daniel
Hirtz, Blanche
Hoch, E. Th.
Hof, Eduard jun.
Hofmann, G.
Hofmann, Heinrich Ernst
Holényi, Therese
Holitscher, Elisabeth
Holitscher Dr., Siegfried
Holm, Hermann
Hopp, Willy
Horwitz, Hans
Houdaille, Marie
Huber & Lutz
Hudrc, André
Isphording, Gertrud
Jäger, Karl
James-Lange, Clara Ellen
Jauneaud, Marcel
Jbauer, Guillermo
Jones, Nonna
Joubert, Eugène C.
Jourda, Jacques
Juchert, Achilles
Just, Walli
Kaufmann, Oscar
Kertesz, Nandor
Kiene, Gustav
Kiene, Ludwig
Kliche, Ernestine
Knips, Rudolf
Knoth, Hans Rudolf
Konez, Istvan
Konig, August
Königswerther, Hugo
Konigswerther-Genet, Marie-Louise
Kouff, Luisa
Kraatz, Adolf
Kraft Dr., Werner
Kralschmer, Johann
Krausz-Castelli, Ernesto
Krausz-Castelli Dr., Giorgin
Krizkova, Miluse
Kruger, Otto
Krüger-Bruggemann Dr., Emmy
Kübler, Emil
Kuhn, Paul
Kuna, Josif
Kuna, Schlioma
Kurz, Michel Charles
Kviesis, Albert
La Barre, Charles
Lambert, Jeanne
Landesmann, Frieda
Landsberg, Klaus
Langer, Anny
Lannes-Gachassin, Léonie-Marie-Pauline
Lanza Filingeri, Maria
Lanza Filingeri, Stefano
Laric, Jack (Ivan)
Laric, Margareta
Laric, Paul (Pavel)
Laroche-Joubert, Marguerite
Larochette, Emila
Larochette, Paul Adrien
Le Guillou, Jean-Marie Alexis
Lecomta, Henri
Lenard, Rob.
Lenclud, Bernard
Lewy, Heinz Albert
Limmering, Heinrich
Lintnec, Anna
Lintner, Maria
Lintner, Terese
Lobkowicz Prinz, Erwein
Lomska, Rosa
Lorenz, Hermann
Lupu, Elena
Maestre del Solar, Ana
Magnan, Denis
Majorelle, Jean
Mantilleri, Pierre
Martin, Jean
Massot y Balaguer, Luis
Matter-Burki, Gertrud
Maurung, Emilie
Merian
Merkau, Emmy
Meszlewyi-Schuller, Margareta
Meyer-Prieur, Yvonne
Meyerhof, Else
Michelsohn-Ebner, Foga
Miez-Vogl, Hildegard
Milrath, Lilly
Mohn, Marhn
Moller, Otto
Monthiers, Pierre Jean
Mordret, Jacques
Mordret, Marie Anne
Morel de Foucaucourt, Guy
Morel de Foucaucourt, Jean
Mosbacher Dr., Kurt
Moschel, Gertrud
Moskovic, Klara
Müller, Klara
Muller-Aschl, Berta
Munch, Heinrich Karl
Mundt-Lange, Gertrud
Mylius, Jaques Simon
Nagy, Adele
Nagy, Margarethe Leopold
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Neubauer Dr., Leo
Nikolitch, Edith
Nobel-Haller Dr., Marianne
Novak, Jiro
Oberländer, Erica
Oberländer, Frank
Oberschall, Victor
Oberti di Valnera Dr., Giuseppe
Obrutschewa, Aglaida
Ogneanoff, Alexander
Ohland, Gustav
Osolin, Alexander
Pardany, Rosa
Parmentier, Thérèse
Patzold, Erna
Patzold, Franz
Pavia, Gaston
Perben, Andre
Perdrizet, Georges
Perdrizet, Jean-Paul
Perez, Hidalgo Antonio
Perrollaz, Gabrielle
Persky, Anna
Piechnick, Gerda
Piedelievre, Renée
Pigallet, Jean
Plaquevant, Jeanne
Pogany, Miklos
Posatti, Hilde
Post, Bruno
Prodanof, Elvira
Proskauer, Max
Prynal
Rast, Kathi
Reber, Hildegard
Rhein Dr., Marcel
Ricca, Amalia
Richter, Mira
Riegelmann, Olga
Riera Clariana, José Maria
Riesen, Anna
Riguzzi, Carolina
Rivasseau
Rochelm, Maro
Rolla Rosazza, Vitale
Rosenthal, Ella
Rosenthal, Paul
Rousselet, Charlotte
Ruch, Michel
Ruedy, Josef
Rümmelin, Hilda
Rund, Kurt
Runge, Hans
Sack, Otto Georg Johannes
Sacrest Dusol, Pedro
Salmomowitz, Miriam
Schaar, Eugen
Schaumburg Graf, Heinrich
Scheithauer, Luise
Scherenberger, Anna
Schlie-Gnaz, Jelka
Schmits, Arnds
Schmitten, Robert
Schmujlow, Wladimir
Schnerr, Alfred
Schnefl Dr., Karl
Schuller-Rothauser, Margareta
Schulz, Hans
Schwarz, Marie
Schweizer, Franz
Seix Bonastre, Francisco
Senkoff, Serge
Serrano Suner, Ramon
Serrano Suner y Polo, Fernando
Serrano Suner y Polo, Francisco
Serrano Suner y Polo, Jaime
Serrano Suner y Polo, Jose
Serrano Suner y Polo, Pilard
Serrano Suner y Polo, Ramon
Sgalitzer, Helene
Sierstorpff Grafin
Simic, Svetozar
Simon, Alexander
Smger (Jugoslavische Kreditanstalt AG), Slavko
Sniedza, Lilija
Squire, Dorothee
Stanesco, Ian
Statescu Prof., Constantin
Staub, Aug. E.
Staub, Emile
Staub, Pauline
Stefanova, L.
Stolle & Kopke
Stoopmann, Elsy
Swolensky, Ella
Tatos, Maria
Teltsik, Rodolphe
Testaz, Georges
Thallmayer, Alfred
Thanner-Jehli, Marie
Then, Karl Albert
Thöne, J.J.
Travers, Jean
Travers, Léon
Travers, Rosalie
Treca, Albert-J.-M.-C
Treca, George-Ch.-L.-M.-J
Trog, Hans
Trollset, Louis
Ugo Delle Favare, Silvia
Vajda, Etel
Vermes, Bella
Vermes, Gyula
Vesely Dr., Jan
Victor, Louis Pierre
Vogl-Oberütter, Maria
von Boer, Alexius jun
von Avenarius, Alexander
von Drabich-Wachter, Vally
von Murald, Franz
von Ow-Weiss, Anna
von Weiss, Lisl
Vonderwedt, Alfred
Wald, Erwin
Waldenmeyer-Wirtz, Cécile
Walser, Rodolfo
Weber, Rosa
Weill, Albert
Weill, Alexandre
Wendland-Billert Dr., Charlotte
Wendling Dr., Joseph
Werner, Anneliese
Willemin, Francis
Willemin Dr., Denis
Winckler, Marguerite
Wirth, Helene
Woitkewitsch, Paul
Yver, Marie Anne
Zelm, Viktor
Zoltan Dr., Eugen
Zoltan de Gvoos, Gertrud
Zu Eltz Graf, Jakob
Zu Eltz Grafin, Marie
Zu Lokowicz, Erwein

Clinton to back rise in Medicare premiums

US state in clash over benefits

Chancellor considers fairness alongside desire for VAT on more goods and services

Treasury chief snubs IMF's tax advice

By Robert Chote and Wolfgang Münchau

Mr Gordon Brown, the chancellor of the exchequer, yesterday rejected the International Monetary Fund's call for value-added tax to be levied on a wider variety of goods and services, arguing that considerations of fairness had to be placed alongsida the desire for a broad tax base.

In its annual report on the UK economy, the IMF argued that a broadening of the VAT base "warrants serious aconomic debate, all the more so given the hard choices that lie ahead in reconciling spending priorities". The IMF favours VAT widening as a medium-term policy to promote savings, rather than a short-term attempt to restrain spending.

The chancellor told the House of Commons Treasury select committee that he stood by his pledge not to impose VAT on food, children's clothes, transport, booke and newspapers during the current parliament.

"There are fairness issues involved here," the chancellor said, adding that these were essentials on which people had little choice but to spend money.

Mr Brown said he had no plans either to extend VAT to non-essential items. He also promised to resist any pressure from the European Commission to harmonise VAT rates with those in other countries.

"We are certain we will have national autonomy on these matters," he said. "Any attempt at harmonisation would have to have unanimity and we would . . . veto an attempt to do so." Mr Brown said he would retain zero-rating for VAT in those areas where it already applied.

The chancellor was making his first appearance before the newly appointed select committee.

He came under repeated attack from a Conservative survivor of the committee's last incarnation, Mr Quentin Davies, for failing to levy a significant tax increase on consumers and relying too much on rises in interest rates to reduce inflation.

Mr Brown said it was "quite absurd" to argue that the Budget had done nothing to curb consumption or cool the housing market, arguing that consumers faced a £1bn tax increase in year two of his plans. Mr Davies said that this increase of about 0.15 per cent of national income would have a negligible effect.

The chancellor said that the fiscal tightening in the Budget should reduce the rise in interest rates necessary to subdue inflation. He also rejected accusations that he should have done more to address the overvaluation of the pound, which closed at a just under DM3.04 yesterday – its highest rate in nearly seven years.

"My aim is a stable and competitive pound over the medium term", he insisted. "But I do say to you what worries industry most of all is the threat of a retun to the stop-go economics of the past."

Caught in the current, Page 12

Wales offered path to own economic rule

Ferdaus Shamim

Peter Hain (left), Welsh Office minister, and Ron Davies at the Welsh devolution press conference

By Liam Halligan, Political Staff

The government yesterday set out its proposals to create e 60-member elected Welsh assembly by 1999, to be responsible for the £7bn ($11.7bn) Welsh Office budget, and for Welsh public services such as schools, hospitals and transport.

The abolition of more than half of Wales's quangos (quasi-autonomous non-government bodies) was also proposed –. inclnding the Cardiff Bay Development Corporation – and the creation of a "powerhouse" agency to promote economic development centred on the existing Welsh Development Agency. Cardiff, in sonth Wales, is the capital city of Wales.

The plans, outlined in the government discussion document A Voice for Wales, were announced in the House of Commons by Mr Ron Davies, Welsh secretary. "Our aim is to improva public services hy making them more responsive to the views and needs of Welsh people," he said.

Mr Davies said Wales would continue to share the same framework of laws as England, including primary legislation made for it by Parliament, and would "remain firmly" part of the UK.

"But the new assembly will assume virtually all of the functions which I currently exercise," he said, indicating that most of the Welsh secretary'e powers would be devolved to the Cardiff-based body.

Provided the Welsh people endorse the discussion document's proposals in a referendum on September 18, the government expects its devolution bill to become law in July 1998, with Welsh assembly elections – using a form of proportional representation – in May 1999.

The document was dismissed as "incoherent" by the opposition Conservative party. "All the indications are that these proposals will diminisb the status of Wales," said Mr William Hague, Conservative leader and himself a former Welsh secretary. "It will mark the marginalisation of Wales within the UK and damage the prospects for future inward investment and growth."

Addressing concerns that Wales, where the Labour party holds 34 seats, was in danger of becoming a one-party state, Mr Davies said: "Because 20 of its 60 members will be elected from party lists, in proportion to total votes cast, this body will reflact all parties' interests."

Mr Davies also stressed that the proposed Welsh assembly elections would represent Britain's "first use of proportional representation". Under the proposals, Wales would continne to send 40 MPs to the House of Commons. The post of Welsh secretary would remain, partly to act as a link between Wales and central government in London.

Personal View · **Adair Turner**

The best policy for the nation

Yesterday, after four months of consultation, and many more before that sitting on a crowded fence, the Confederation of British Industry decided its policy on economic and monetary union. It supports UK membership of a snccessful Emu, bnt says Britain should join only if and wben the conditions for success are in place.

Not all our members argued for this specific line – some prefer a more sceptical approach, some an unreserved commitment to early entry. But a large majority can eupport this conditional commitment to membership of Emu. I believe it is the best policy for Britain.

For some, Emu is primarily a political question. Some believe it a necessary precursor to a desirable political union: others e threat to national sovereignty. And it would be absurd to deny that Emu has e political dimension. But I think some of these arguments are overplayed.

Netional economic sovereignty is constrained by the facts of economic life. The issne is how to maximise economic snccess, not the illusion of national control. It is on the economic arguments for and against that we need to focus.

Emu could bring hig economic advantages, but only if it goes ahead under the right conditions: if those conditions are not in place, it could do harm.

The potential benefits of Emu are transparency, certainty and stability. Emn would help complete the single market; with everything priced in euros, competition would be more open and intense, bringing lower prices for the consumer and stronger companies better able to compete across the world. Emu will create a single European capital market for deht and equity – a more efficient mechanism for allocating savings to the highest-return investments.

The UK should help set up a successful Emu as a precursor to joining

Monetary union would also eliminate intra-European excbange rate risk from future trade and investment decisions, focusing companies on the fundamentals of business – productivity and quality – rather than on managing financial risk. The benefits of that risk elimination could put the UK at a disadvantage if e successful Emn developed and Britain stood permanently aside.

Eqnally important, Emu would remove, in respect to the 58 per cent of our trade with the EU, the damaging impact of large irrational exchange rate overshoots. Sterling's 30 per cent appreciation against the D-Mark over the last year – despite almost identical inflation rates – is severely disrupting long-term planning among UK exporters to Europe. A similar roller-coaster in the Lira/D-Mark rate induced first unsustainable boom and then recession in Italian manufacturing in 1995-96.

Eliminating those swings will remove unnecessary volatility from the real economy, a volatility which the US, with its much smaller percentage of gross domestic product traded across currency boundaries, does not have to face.

But while Emu has significant potential advantages, and while indeed there are risks for Britain if we stay permanently outside Emu, there are also major risks in monetary union particularly if it goes ahead under the wrong conditions.

For the single currency to eucceed, inflation rates must have converged, existing exchange rates must be sustainable, and the public finances of members must be sound.

More vitally still, if we abolish exchange rate flexibility, which can help bring real wages in line with productivity levels, we need the alternative of labour market flexibility. For Emu to work, wages in different regions must be set by the competitive circumstances of the companies based there – the wage rates at a car company's plants in Germany and to Spain must be set by local conditions and productivity not by pan-European collective bargaining.

That Emu will go ahead in less than ideal circumstances is the context in which Britain must decide

If European laboor markets evolve in a less rather than more flexible way, then Emn could create major problems.

In an ideal world, those conditions for success would argue for great cantion about the speed of and phasing of Emu's implementation. Inflation rates across Europe have converged to a surprising extent, but the fiscal positions of many potential participants fall short of obvious sustainability and the direction of EU labour market policy remains unclear. In theory there are good arguments, either for only a small core group proceeding in 1999 or for the whole project being delayed for several years.

Equally, however, we bave to live with the reality that the ideal path to Emu may not be available. The political momentum behind the 1999 timetable is huge, and delay itself could hring major economic costs through exchange rate volatility and higher interest rates on government borrowing. The likelihood that Emu will go ahead in 1999 but in less than ideal circumstances is the context in which the UK must decide its policy.

That policy sbould focus on ensuring the emergence of a successful Emu, which Britain should then join. That means arguing for the conditions required for Emn'e success – conditions which ideally would be in place before Emu proceeds, but which could also develop in the years following Emu's start. Britain's ability to argue for that development will be enhanced if it is clear that our desired end point entails both Emu'e success and Britain's essential membership.

The author is director-general of the CBI

Business urges early pledge to join Emu

By Stefan Wagstyl in London

The Confederation of British Industry, the biggest employers' lobby, yesterday urged the government to make an early pledge to take the UK into European monetary union.

While the UK will probably not be ready to enter Emn when it starts in 1999, it should begin preparing now to join later "when the economic conditions are right", said a statement.

The declaration will be a boost to the government, which favours joining Emu at some point if economic conditions permit. The CBI position will, however, widen the gulf on European policy between the CBI and a Eurosceptic Conservative opposition.

Until now, the CB1 bas kept all its options opeu, for fear of offending the Conservatives and of splitting its members. Bnt the general election result has removed the political obstacle to making a choice. In addition, tha recent surge in sterling has converted many business people to the potential virtues of a single currency.

In a poll of 400 members of its committees and regional councils, the CBI found e 42 per cent vote in favour of entry in 1999 and a further 52 per cent in favour of entry at some time. Only 6 per cent voted against UK entry.

Mr Niall Fitzgerald, chairman of the CBI's Europe committee, said that in view of the support of the "vast majority of the members", the CBI strongly believed that tbe UK should join Emu.

The statement said: "The CBI believes that the UK's economic and husiness interest is best served by membership of Emu, when the conditions are right. The UK government should now work to belp bring about the conditions which will make Emu a success."

But it warned that economic conditions may not be right for starting Emu in 1999 and urged EU members to consider delays or to go ahead with ouly a small number of countries.

In preparing for eventual entry, tbe UK shonld quickly declare its support for membership, ensure that practical steps are taken to pave the way for entry, and be ready to take sterling into the wide band of the European exchange rate mechanism.

The CBI also said that the UK should argue in the EU for strict adherence to the economic convergence criteria, for the maintenance of price stability as the goal of the European Central Bank and for more flexible labour markets.

Mr Fitzgerald said careful preparation of Emn was very important, as a failure would have "the most euormons negative impact". Given that exchange rate flexibillty was being removed, it was essential there was adequate flexibility in labour markets.

UK NEWS DIGEST

Proposals urge BT charge cuts

British Telecommunications will be forced to cut the charges it levies on carriers using its network by 28 per cent in real terms over the next four years, under proposals tabled yesterday by Mr Don Cruickshank, director-general of the telecommunications regulatory body. The proposals, which were welcomed by both BT and its rivals, are designed to foster competition and are expected to lead to a further reduction in telephone bills. The opening of the industry to competition bas meant calls often have to travel over the lines of several operators before arriving at their destination.

By lowering the costs BT charges to other operators to use its lines – the most comprehensive network – all companies should be able to make reductions in their bills. Oftel also hopes the move will also encourage more operators to come on to the market. *Paul Taylor*

■ CONSTITUTION

Centrist party gets committee role

Mr Tony Blair, the Labour prime minister, yesterday offered the centrist Liberal Democrats a seat at the heart of government, and a key role in developing proposals to change the voting system for general elections. A new cabinet sub-committee is to be created on which senior ministers and top Liberal Democrats will discuss issues of common concern, including constitutional reform.The prime minister's office said Mr Blair viewed the committee as a move towards "a new era in British politics", but insisted it would not to lead to a formal pact. A spokesman said ministerial jobs for the party leader and his colleagues were "not remotely on the agenda".

Senior Liberal Democrats were delighted with the deal, which gives them their strongest voice in government since the 1978 Lib-Lab pact. *George Parker*

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■ TELEVISION

Changes urged in ITV licensing

The Independent Television Commission, regulatory body for commercial television, wants to drastically reduce the fixed "cash bid" sum that ITV companies will pay to the Treasury when licences are awarded.It wants to ensure that most of the special taxes paid by ITV to the government should be in the form of a percentage of advertising and sponsorship revenue. This means that if ITV advertising revenue declines, the amount of money paid in tax will also fall. Sir Robin Biggam, chairman of the ITC, said yesterday: "We feel this is a more equitable basis on whicb to tax [the ITV companies]. It is linked to your ability to pay." He was speaking as the ITC published its consultation document on bow it will approach the renewal of ITV licences. *Raymond Snoddy*

■ HIGHER EDUCATION

Ministers asked for clampdown

Ministers are to be asked to clamp down on the creation of new universities because of fears that the quality of higher education is being threatened by the rising number of degree-awarding institutions. In a long-awaited report, to be published today by Sir Ron Dearing's committee – likely to signal the biggest shake-up of universities since the 1960s – the government is also to be told that there should be no growth in degree level qualifications offered by further education colleges, which generally offer sub-degree courses.

Its views could jeopardise the future of the government's flagship proposal to launch an internet-based "university for industry" for underpinning the drive to improve skills in the workplace. The number of higher education institutions has mushroomed from 31 to 176 since the last major review of the higher edncation sector in the early 1960s – with the number of "universities" totalling 115. *Simon Targett*

■ NORTHERN IRELAND

Weapons setback for peace talks

Pro-British unionists are set to vote down UK and Irish government proposals for the next stage of multi-party talks. Officials said that after discussing the issues for the third time in five days with Mr David Trimble, leader of the Ulster Unionists, the largest of three unionist parties, Mr Tony Blair, prime minister, could not make the necessary assurances to secure support for today's vote. All three parties are expected to reject the proposals setting out at what point during negotiations paramilitary groups – notably the Irish Republican Army, the military wing of Sinn Féin – must start to hand in weapons. The Rev Ian Paisley, leader of the smaller Democratic Unionists, said after meeting Mr Blair that the talks process was "dead in the water". He described the government's approach as an "Iscariot act of betrayal". *John Kampfner*

■ FOREIGN INCOME DIVIDEND SCHEME

Government announces rethink

The government last night pledged that it would complete a consultation exercise on the future of the Foreign Income Dividend Scheme by the spring of next year in a bid to allay the concerns of UK multinationals over the issue. As opposition Conservative MPs accused the government of abandoning an important feature of Mr Gordon Brown'e recent Budget, Mr Geoffrey Robinson, paymaster general, said that a final decision on whether Fids should be scrapped would be announced et the time of the next finance bill.

However, Mr Robinson yesterday ecknowledged that many multinational companies had expressed concern that the legislation was defective. He said he was prepared to listen to representations on how the clause might be amended in the chancellor's next Budget.

Conservative MPs yesterday rounded on Mr Robinson during the committee's debate on the clause, claiming that it epitomised the haste with which the Budget had been drawo up. *James Blitz*

Boardroom rules report may take softly softly approach

The latest corporate governance committee has no desire to make business history, writes Jim Kelly

The Hampel committee on corporate governance met yesterday for what could be the last time before publication of its preliminary report. As the members gathered at ICI headquarters they must have been aware of a certain anxiety over the direction they may take.

Many directors must hope Sir Ronald Hampel, chairman of ICI, will be remembered for leading a committee which drew a line under what they see as the onerous prescriptions of his predecessors – Sir Adrian Cadbury and Sir Richard Greenbury.

One company adviser says: "I don't think this is going to be a dramatic document – we could even see him going into reverse in some areas."

However, corporate governance reformers will hope the committee will go forward – widening the corporate governance debate to include the role institutional investors play and the system of financial communication, from the report to annual meetings.

But their hopes are not high. "There will be no roll back, that would be unacceptable politically," says one shareholder activist. "But this will be a business-friendly agenda from a business-friendly committee."

The Cadbury committee reported on corporate governance in 1992, following a series of City scandals. Another furore – over "fat cat" pay – spawned the Greenbury committee, which reported in 1995. But Hampel – the successor to Cadbury – is not forced to meet specific expectations.

All the signs are that Hampel will grab fewer headlines than either Cadbury or Greenbury. "I have no wish to produce an earth-shattering report," says Sir Ronald. The rest of the committee – originally six other industrialists, a lawyer, a financier, an actuary, an accountant and an institutional shareholder – seem unlikely to want to make history either.

Most importantly Hampel is likely to promote the foundation of broad principles rather than legal rules – and to emphasise the largely voluntary basis of the Cadbury Code itself. Greenbury is seen as baving loaded annual reports with unreadable and irrelevant data. "All it did was give more information to headhunters and ramp up pay," says one director.

Hampel is therefore extremaly unlikely to add to the load and may lift it a little – for example, by opening up the possibility that smaller companies do not need to follow all the guidelines of Cadbury and Greenbury. On the other hand it could also please big UK companies by suggesting thet foreign companies listed in London also follow such corporate governance guidelines.

On one or two points Hampel may be tempted to roll back the tide of disclosure which came with Cadbury and Greenbury. Executive pensions now carry two methods of calculation. Hampel may push for a simplified single figure, although this would prompt a fierce reaction from actuaries.

On directors' responsibilities to report on internal controls – a bot issue after collapses such as Barings – the committee may recognise that the subject has become clouded in semantics and simply call for a breathing space.

On the fundamental question of the structure of boards, the committee is unlikely to usher in a move to the two-tier German model. The unitary board will survive – although Hampel may have a lot to say about the pressures on non-execntive directors to both add value at the boardroom table and regulate their fellow executives.

Hampel may turn to governance outside tha company. Cynics may see this as corporate UK's revenge for Cadbury. "We have bad governance inside the company – now directors may start looking at the institutional investors," says one leading auditor.

Hampel is unlikely to embrace the concepts of the stakeholder society – one in which companies care not only for shareholders but employees, suppliers, those affected environmentally and so on. The Labour party's retreat from cbampioning the idea will have reinforced the committee's natural inclinations.

Bnt better communication with shareholders and others may well be on the agenda. Both the annual general meeting and financial reporting are seen to be in need of reform. Hampel may well back moves to give the vast majority of shareholders easy-to-read summary reports while analysts and the media would be offered full results on the day of the preliminary results – and better information witb interim reports.

Meanwhile, the government is prepared to wait and see what Hampel produces. "Labour has e huge amount of turf to defend on these issues – I don't see them rushing at it," says one governance consultant. "They have promised a panel of experts will be formed – Hampel may just be a damp squib."

A program of organisation

For centuries the address book and diary resisted modernisation, but now a new breed of software promises to do for businesses what the personal organiser has achieved for individuals.

It is called contact (or business relationship) management software, and promises to shake up work processes while retaining the flexibility, accessibility and security of its paper-based forebears.

While a personal organiser helps an individual manage contacts and appointments, the new software works as a "corporate information manager". It acts as a "smart" address book and diary, and organises tasks network-wide by creating, linking and indexing faxes, letters, documents, e-mail and contacts to personal data.

Computing is generally organised by tasks, attaching data records to projects – for example, "this fax was sent to Jones and Smith", which says nothing about what else Jones or Smith had received from the company. Contact managers are organised around people – "Jones was sent Fax 1, Letter 2 and e-mail 3". Contact managers are regarded as "enterprise software" because all workers in an organisation have all the information about a customer.

"Enterprise software is shifting its focus from expense controls and employee productivity improvements, to revenue generation and creating greater external customer satisfaction," says Bob Austrian, a software analyst at Montgomery Securities of the US.

European software developers such as Norway's SuperOffice and Germany's Aurum lead the way in producing networkable boxed products, but European companies lag behind their US counterparts in using the software.

In Europe many financial organisations, such as Midland Bank and Allied Dunbar, are looking at contact management software, and some, such as the Royal Bank of Scotland and Guinness Mahon, have already jumped in.

"Bespoke applications were considered but cost over £2,000 per user and took too long to implement," says Douglas Alston, head of sales support, commercial banking services at the Royal Bank of Scotland. "RBS was pushing retail banking and needed a quick installation, the boxed products were a fraction of the cost at around £200 per user and required little staff training or skilled installation."

At Guinness Mahon, Tim Stannard, IT manager says: "Contact management has become the front end of our system for our users. Our word processing, databases and document management are accessed from within SuperOffice and Windows just sits at the bottom."

Contact managers have developed along two paths, integrated and networkable. Integrated solutions have their own database and correspondence templates for e-mailing, faxing and contacting the outside world. They are the simplest and cheapest to install but act independently from existing programs on the system.

Networkable solutions tie in with the company's existing programs, such as the database and e-mail, word processing, spreadsheet or accounting packages. Data entered anywhere in the system are therefore automatically updated everywhere else.

Mark Selway

Using the internet • **Geoff Nairn**

Shoot the e-mail messenger

Not only is the internet unreliable for business but it is as secure and private as 'sending postcards'

In the mid-19th century, when telegraphy was in its infancy, users would spend anxious hours waiting for urgent telegrams to be received over slow and unreliable networks.

Last week a series of glitches and errors in the US brought traffic on much of the internet to a halt, bouncing millions of e-mail messages back to their senders; internet users must be wondering how much progress has been made.

The internet has brought e-mail to the masses but failures are common and the shortcomings of current technology are familiar to many: messages that cross the Atlantic in minutes may take hours to reach someone in the same city; e-mails are returned marked "undeliverable" because of a technical incompatibility; anxious senders transmit the same message several times not knowing if it has been received.

The problem is particularly relevant to electronic commerce. Internet mail could revolutionise business-to-business trading because it offers a cheap and universal method of transferring bids, invoices and payment advices between trading partners.

The European Commission, for example, would like to make public procurement more efficient in the European Union by introducing electronic tendering, invoicing and payments. However, such projects are destined to remain on the drawing board unless the IT industry can address two fundamental weaknesses of internet mail: security and reliability.

"As the market evolves to using the internet for processing transactions, a higher level of reliability is required than is currently available from e-mail systems," says Joyce Graff, research director with the Gartner Group, the US market research firm.

If a bid for a contract is sent by e-mail over the internet, the sender has no way of knowing that the bid was successfully delivered and before deadline. The internet is also inherently insecure and few businesses are prepared to send bids or other confidential information via the system.

"One of the biggest inhibitors of electronic commerce over the internet is security," says Roger Dean, executive director of the European Electronic Messaging Association (Eema), a trade body that aims to improve technical standards.

Internet technologies have made enormous strides in many areas, but e-mail has been largely overlooked. The technical standard for handling e-mail on the internet, Simple Mail Transport Protocol, lacks features such as delivery notification and directory services that have long been taken for granted in the proprietary e-mail systems that companies use for internal communications. These proprietary systems work well if sender and receiver are using the same system, but many companies have several different e-mail systems – some a decade old – and incompatibilities are common.

Internet mail has traditionally been a low priority for corporate IT managers but this is changing as more companies look to replace their traditional networks with intranets and extranets. These networks use the same standard technologies as the public internet to link users within a company (intranet), or suppliers and partners outside (extranet).

Intranets and extranets can thus be accessed by any type of computer using cheap off-the-shelf internet software, such as web browsers, e-mail programs and groupware – software to share documents or schedule meetings.

Analysts believe it will be several years before extranets replace specialised electronic trading systems, such as the electronic data interchange networks used in the motor industry and other sectors. The reason is that internet mail was designed primarily for interpersonal communications and so lacks the reliability and accountability features needed for electronic trading.

The Gartner Group estimates that 15 per cent of internet traffic in 2000 will require a more reliable messaging technology, and the IT industry is working on various initiatives to ensure that messages on the internet get through. For example, UK networking company Nexor recently announced a messaging product that goes beyond the internet SMTP standard by offering a delivery notification mechanism. And some large internet service providers (ISPs) are considering renting secure links on the network to offer a premium service with a guaranteed delivery time.

Last April, the Business Quality Messaging group was set up by IT heavyweights such as Microsoft, Intel, Hewlett-Packard and International Business Machines. It aims to develop messaging technologies to make business-to-business commerce a reality by, for example, allowing a supplier's billing system to communicate with a customer's stock control program using e-mail.

Order entry or stock control systems have traditionally been mainframe-based, and to do these applications on an intranet or extranet using e-mail requires sophisticated message tracking and mechanisms so that if an order is changed, for example, all applications thereby affected will be updated.

IBM has announced the first – and so far only – product that supports BQM. The product, called MQWare, is a scaled-down version of software that IBM sells to handle transactions in stock exchanges and banks. Microsoft is working on a competing product called Falcon.

Analysts believe it will be several years before BQM comes close to its goal and critics say the group is not representative because it lacks important names from the internet world, such as Netscape and Oracle.

A more pressing problem for internet mail is security. "Sending e-mail over the internet is like sending postcards. Anyone can read them," says Chris Taper, chairman of the Eema security committee. According to an Eema survey, 53 per cent of businesses polled were so concerned about security that they did not use the internet for commercial purposes.

Pharmaceutical companies, for example, would like to use e-mail to send patented information between their various laboratories but security issues prevent them.

Products exist that allow users to encrypt and digitally sign messages, and verify that a received message does indeed come from the supposed sender. But the biggest hurdle has been distributing the encryption keys that trading partners need to decode each others' encrypted messages. By the end of this year, Eema hopes to have agreed a standard for e-mail directories that will allow internet users to look up the e-mail address and keys of trading partners more easily.

Information Technology
● The FT's review of Information Technology appears on the first Wednesday of each month

LEGAL NOTICES

In the High Court of Justice No. 002943 of 1997
Chancery Division
Companies Court

IN THE MATTER OF HAVELOCK EUROPA PLC
and
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 13th June 1997 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the Share Premium Account of the above-named Company by the sum of £8,029,176.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday 30th July 1997.

Any creditor or shareholder of the said Company desiring to oppose the making of an order for the confirmation of the said reduction of Share Premium Account should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

Dated the 21st day of July 1997
Morrison Skirrow, 63 Queen Victoria Street
London EC4N 4ST
(Ref: MAM/KMD/HAB63434
Solicitors for the above-named Company
Tel: 0171 329 3299
Fax: 0171 329 4000

Watching brief

Yahoo!'s geek-free area

Some intriguing demographics for would-be internet advertisers have emerged in a survey conducted by Continental Research on behalf of Yahoo! Europe, the internet media company joint venture with Softbank. The study shows Yahoo!'s audience is upmarket and not at all "geeky". Most are affluent homeowning professionals with a family life who use the internet to improve their lifestyle.

Among the findings: 85 per cent of respondents in the UK are male and just under 60 per cent are aged between 25 and 44. The average household income is £44,000 (almost three times the national average) and three-quarters of them own their homes.

Despite recent scares, Yahoo! UK users are confident about the security aspects of shopping online, with 57 per cent believing it is as safe or more safe than ordering by telephone and 42 per cent saying they plan to start shopping online in the next 12 months.

The internet has also contributed to a shift in leisure pursuits among this group. More than half now favour sitting at a PC to watching television. More than half also said they send fewer letters and memos because they prefer e-mail.

Talk Loud PR: tel UK (0)171 255 2767

Graphics tablets come of age

Graphics tablets have helped transform the business of drawing on the personal computer, but most of the tools available to the professional artist have remained primitive.

Now Wacom, the world market leader for graphics tablets, has developed a suite of eight innovative pressure-sensitive tools that work with most of the leading software packages, including Adobe's Photoshop, Corel PhotoPaint and Painter and Detailer.

PenTools offers enhanced image editing and, says Brian Fielder, Wacom's European market director: "PenTools plug-ins answer the need for greater creative control and innovation."

Among the plug-in tools included in the suite are Brush-on Noise, 3-D Chisel, Super Putty and Virtual Airbrush.

The plug-ins will be shipped with Wacom's ArtPad II and UltraPad series of tablets from September and are compatible with all current and older tablets.

Wacom: Tel, Germany 2131123329; Web http://www.wacom.de

At home with virtual reality

Interior design software packages have generally suffered from two failings. Either they are too simplistic and unrealistic, or they are very expensive and require specialist hardware.

This week, however, Europress, the UK-based entertainment, education and lifestyle software publisher, is launching 3D Interior Design 2.

The £29.99 package has been developed using Superscape's virtual reality authoring software and claims to be the first VR-based interior design product for the home market.

Using the software is designed to be both powerful and easy. Once a room's dimensions have been input, more than 600 furnishings, fittings and textured objects are available from the virtual clip art library and can be dragged and dropped into the room space.

To add realism, many of the objects have "intelligent characteristics" – for example, the curtains can be drawn and television channels can be changed.

The software consists of three main modules, planner, editor and visualiser.

Within visualiser, the camera mode records movements and plays them back as an animation, while human mode allows the user to set their height before walking about a room. The software can also calculate wall and floor areas.

Europress: tel UK (0)1625 859333; Web: www.europress.co.uk

Windows NT's longer reach

Fujitsu Personal Systems has launched what is claimed to be the world's first mobile pen computer – or pen tablet – to run Windows NT, the "industrial strength" Microsoft operating system. The California-based Fujitsu subsidiary says this will allow enterprises to use 32-bit applications in the furthest reaches of their organisations. The Stylistic 1200, expected to be priced from £2,100, is also available with Windows 95 or Windows for Workgroups 3.11.
Fujitsu Personal Systems (Louis Jouanny), tel France 155655686, fax 155655687.

Affordable mechanical modelling

The battle to control the market for mid-priced mechanical design software has intensified with the release of PT/Products 2.0 by US-based Parametric Technology, *writes Andrew Baxter.*

Parametric released the first PT/Products – a slimmed-down version of its high-end Pro/Engineer software – two years ago. The latest release has several enhancements, including an improved user interface, a better sketcher and a new module for designing sheet metal parts.

The mid-range market has developed fast over the past two years, in response to customers who want to migrate from a simple two-dimensional design product to 3D solid modelling, but do not want to pay up to £20,000 per copy for a high-end package.

The main competitors in the mid-range sector, where prices range from £2,500 to £5,000, are Solid Edge, produced by Intergraph, and SolidWorks. Last month France's Dassault Systemes, best known for its high-end Catia software, agreed to buy privately owned SolidWorks for about $310m.

PT/Products 2.0 is priced from $3,000 in the US and from £2,680 in the UK, where it was launched last week by value-added reseller Definitive Applications.

Definitive Applications, UK: tel (0)1635 551553, fax (0)1635 551554.

Watching Brief is compiled by Paul Taylor, e-mail paul.taylor@FT.com; fax (0)171 873 3196.

ARTS

Television/Christopher Dunkley

View from the top

This column is dedicated to the memory of Brian Wenham for whom a memorial service was held at St James's, Piccadilly, in central London on Monday. Wenham's life and work exemplified the golden age of British broadcasting – a concept which infuriates many of today's broadcasters, but which, as hindsight makes increasingly clear, is a distinct reality. The point is not that good programmes are no longer made, but that during the years when Wenham was a central and inspiring influence, demanding and high quality programmes were a dominating factor in British broadcasting. Today they seem to be made as an afterthought, a doty, an adjunct to the real thing: ratings winners.

In the 1960s Wenham worked at ITN; in the 1970s he was editor of *Panorama* and then head of BBC current affairs; in the 1980s controller of BBC2, then director of programmes for BBC television; and in 1986/87 he was managing director of BBC radio. You could tell what sort of man he was from the hundreds who packed St James's on Monday, not only the top executives of British broadcasting and scores of producers, but a host of famous on-screen faces: Robert Kee, John Tusa, Joan Bakewell, Humphrey Burton (who organised the music), Ludovic Kennedy, Melvyn Bragg, Jeremy Paxman, and many more. They would not turn out for every BBC bigwig, but Wenham had special qualities, not just professional but social: he and his wife, Liz, were at the centre of what seemed to be an endless network of friends.

From time to time, gamekeeper Wenham turned poacher and wrote this column. Had this been one of his, what would he have found to admire in the past week, and, not being a man to suffer fools gladly, what would he have eviscerated? It is midsummer, of course, and the worst time of year for oew or unusually good programmes, yet I suspect he would still have found much to praise. First, as a lifelong music lover and passionate devotee of the Proms, he would have watched the opening night of the 1997 season and listened simultaneously to the Radio 3 transmission. (Actually he would have been there, but let's pretend . . .)

He would, I suspect, have approved of Bob Coles' direction of the programme not only for what he did, but for what he did not do. Watch the *televising of orchestral* concerts almost anywhere else in the world and you risk seasickness: the crash zoom into the trombone bell, the zip pan to the blonde oboe player, the cut to a shot from the ceiling, mixing through to a fuzzy outline oo which yon pull focus to reveal a reflection in the tuba, the bounce from ooe camera to another in imitation of some fast rhythmical passage of music – *all this* frantic malarky is standard in most countries. The BBC still respects its public enough to televise this sort of event with an intelligence which takes the development of the music into account.

Having been so closely involved as a producer with factual programmes, Wenham would probably have watched this year's three *Hypotheticals* on BBC2 – once his own channel – and might have reflected that, while these discussions of employment policy were not the very best *Hypotheticals* ever made, the formula was still working well and revealing what otherwise, so often, remains *hidden. (They were* reviewed in Saturday's FT.) No doubt he would also have watched *Neighbours From Hell* on ITV with its dreadful – yet sometimes undeniably funny – litany of spite and cunning: pig manure under your neighbours' window, fast growing evergreens to steal your neighbours' light and view, closed circuit cameras to catch them *flicking handfuls of soil* into your fishpond. However, he might have felt that the final case, involving racist persecution, up to and including attempted murder, was in a different category and (thanks to some excellent and terrifying vérité footage) deserving of a separate programme.

But, despite his interest in politics, industry gossip, and talk generally, and consequently in talk shows, I suspect that the programme which might have captured Wenham's imagination most was the second in the Channel 4 series *The Deep*, about life in the deepest parts of the ocean. I am not aware that he had any particular interest in matters sub-acqua, though he certainly loved most aspects of the *Mediterranean area*, but he *did appreciate* professionalism in any sort of programme making and *The Deep* is highly professional. Furthermore, there is a philosophical, even a metaphysical, side to these programmes, especially to the second in the series oo Sunday, which would have appealled to Wenham.

Like most of us he would have goggled in *fascination* at the 30-foot oarfish, the vampire squid (very bad news, like a barrage balloon with Dracula teeth) and the bizarre nanomia which looks like a bundle of television aerials. But what would surely have engaged his mind was the revelation of what tha most recent deep-sea discoveries have shown aboot our previous beliefa concerning life on earth. *Sunlight necessary for all life?* Insects the most numerous life form? Moderate temperatures needed for life to begin? Thanks to the modern equipment shown in last week's programme, we now know that the "black smokers" on the ocean floor, miles from any sunlight, which spew out volcanic matter at 350 degrees centigrade, are surrounded by billions of shrimp.

In the mud below the ocean abyss lives "the most abundant and successful life form on this planet": microscopic worms called nematodes which – and this is the mind-boggling bit – may have their counterpart in a deep inner sea on one of Jupiter's moons which was recently photographed by the *Galileo* probe. *It* sounds almost post-Darwinian, and Wenham would have revelled in the new vistas being opened op, and in the way that television was so early into an area which is now spawning books at an amazing rate.

In the area of arts and eotertainment, he would hardly have been greatly impressed by this week's *Omnibus* which asked "Whatever Happened To Clement And La Frenais?" and, haviog told us – they have been living for years in Los Angeles (was there somebody who did not know?) – failed completely to tell us why. Why did they go io the first place, at the height of their fame as creators of *Porridge* and *Auf Wiedersehen Pet*, and why do they stay now that they seem to be employed as un-credited script spio-doctors? On the other hand, Wenham might well have felt that midsummer was a good time for repeats of *Pride And Prejudice* on BBC1 and *The Jewel In The Crown* on Channel 4, two of the best serial adaptatioos in the last quarter of a century.

Born in 1937, Brain Wenham lived only 60 years, hot he was centrally involved in what may prove to be the richest years of British broadcasting. Richest in programmes, that is.

Opera/Richard Fairman

Pantomime Rossini saved by its star

The promise that Glyndebourne was going to take up Rossini in earnest did not start out as its audiences might have hoped. The first opera the festival chose was the little-known, gloomy *Ermione* two years ago – an interesting rarity and splendidly done, but hardly the operatic fare to go with a summer picnic.

This season patience has its reward. *Le Comte Ory* is one of the select group of Rossini comic operas that can hope to tickle the ribs of an opera-going pnblic hrought up on television sitcoms. What other opera includes a chorus of drunken nuns or a trio in which a cross-dressing man accidentally mistakes the woman he desires for a different woman who is playing a man? Fail to get a laugh out of that and the producer should be shown the door.

For its new production, which opened on Sunday, Glyndebourne entrusted the joh to Jérôme Savary. As founder of Le Grand Magic Circus, he could guarantee some clowning. But as the show sets out at near-pantomime level, with a latecomer wandering on to the stage clasping his picnic-hamper and a herd of model cows trotting across the backdrop, any sentient brain has to stop and ask what grown men and women are doing taking opera like this seriously.

The answer does not come until halfway through the first act, when the toy drawbridge of the castle is lowered and the reason for being there walks on and starts to sing. Her name is Annick Massis and she is a class act who raises the level of the whole game. So often these high coloratura Rossini parts attract singers who operate like mechanical dolls, hut Massis's expressive soprano is so much more – a voice of smiles and tears with a human face – and she is also a beautiful and subtle comedienne.

With her help the music comes into its own. Rossini knew all about getting valne out of his assets and for this opera re-cycled a lot of his earlier score for *Il viaggio a Reims*. How it is that *Le Comte Ory* can seem to have a delicacy of its own is the composer's secret. I am *inclined* to *think* that Glyndebourne's music director, Andrew Davis, is on better terms with the rumbustious Italian Rossini than his suhtle French twin brother, hut he gets brilliant playing from the London Philharmonic, which is one of the evening's main assets.

As in so many Rossini operas, the main tenor role is a killer. Marc Laho, as Comte Ory himself, has a serviceable voice that manages the fast runs and high jumps vary commendahly, hut his singing never quite turns a sport into an art. Like a pole-vaulter going for a lifetime best, he runs up to the impossibly high Cs and Ds with all the vigour he can mnster, hut the sound is loud and coarse, where some soft artistic shading would have heen more welcome. Still, he does well enough, so it seems mean to complain.

In the role of the principal boy, Isolier, Diana Montague has the ideally youthful high mezzo voice for the part and looks great in the page boy's hlue satin tights. Ludovic Tézier has the advantage of being a native French-speaker in Raimhaud's tongue-twisting aria and Julien Rohhins sings the Governor with a resonant, gravelly bass, which is not quite as mobile as Rossini's music demands. Jane Shaulis hits the right tone of matronly prurience as Ragonde and Glyndebourne's male chorus has a high old time as the drunken nuns dancing the can-can.

The simple truth is that Rossini was no Mozart when it came to writing comedies that plumh human depths. So long as one is prepared for a helly-laugh with no strings attached, this makes a fine evening's entertainment. Savary handles the sexually confusing final trio quite hrilliantly and his designer, Ezio Toffolutti, contrives some beautifully romantic, sepia-tinted scenes, not least his naughty ladies' hathing chamber. If any newspaper hlazens the headline "Topless at Glyndebourne", he assured it is referring to events on stage, not the picnickers in the gardens.

Sponsored hy Commercial Union.

A class act: Annick Massis and Diana Montague in 'Le Comte Ory' at Glyndebourne

Alastair Muir

Theatre

Labours of a modern-day Machiavelli

Poor Niccolo Machiavelli. Across the centuries this patron saint of image consultants has had about as bad a press as it is possible to have and in Changeinspeak's *The Prince*, at the Young Vic studio, he once again comes in for the old "demon eyes" treatment.

He appears here in the guise of Nicholas Maitland, ostensibly a resting spin doctor and political legend who offers his services to a fresh-faced new-Labourish campaign manager after e *chance encounter* in a street brawl.

Old Nick soon sets to work transforming the well-meaning hut ineffectual party into a lean, mean fighting machine, but truth and ideology are early casualties on the road to success.

This is well-trodden territory and the potential for mind-numhing cliché is great, hut Simon Blake, the writer and director of this piece, certainly knows a beautifully turned phrase when he sees one.

The writing is sharp and well observed and the dialogue comes at us like a runaway train – unfortunately at times it seemed as if some of the cast were still running alongside trying to jump on board.

Blake puts large sections of Machiavelli's original treatise into the mouth of his dark angel, Maitland, and it is interesting, although perhaps unsurprising, to see how apposite many of his ohservations have remained.

There is the occasional jarring note in this smooth flow of rhetoric, sucb as Maitland's oft-repeated maxim "speed *kills*". What does this mean in this context? We don't bave time to spot and find out.

The plot contains all the ingredients one would imagine: political and personal betrayal; sexual scandal; dodgy arms dealing and political jockeying.

The young campaign manager soon finds that he has selected far too short a spoon for his supper with the Devil and his leader quickly finds himself a "prisoner of his own script". Pretty phrases and the colour of his tie have become *more important* than policy. As election day approaches skeletons start coming out of cupboards and Nick is sent in to neutralise the nasty odours.

The company uses visual, physical and musical elements to enhance the story.

For the most part the performers serve both the style and the story well. Penny Stuttaford in particular, as the opposing PR woman, was a vision of conservative calm.

The possihle exception is George McAllister as the Prince of Darkness. Played as a thuggish imp, a cross between Malcolm McLaren and Oliver Reed, his delivery was sometimes stilted and his lurkings seemed over contrived.

Simon Blake and his company must, however, be applauded for their bravery in tackling such a huge and complex set of subjects with considerahle energy and verve.

Sam Albasini

The Prince plays at The Young Vic, London SE1 (0171 928 6363) to Angusl 2.

INTERNATIONAL

ARTS GUIDE

■ AVIGNON

THEATRE
Avignon Festival
Tel: 33-4-9014 1414
● Amphitryon: by Molière. One of two productions brought by Anatoli Vassiliev as part of a Russian season. Cast includes *Valérie Dréville*; at the *Eglise des* Célestins; Jul 23, 25, 26, 27,
● Chambre d'Hôtel dans la Ville de Nn: adapted from Gogol and directed by Valeri Fokine; at the Usine Volponi; Jul 23, 25, 26, 27

■ BERLIN

EXHIBITIONS
Museum fur Moderne Kunst, Martin-Gropius-Bau
Tel: 49-30-2548 6714
Tha Age of Modernism – Art in the Twentieth Century: comprehensive survey which presents the art of this century in four self-contained sections. Beginning with the explosion of Cubism and the crisis of the avant-garde, the exhibition includes works by Picasso, Duchamp and Kandinsky as well as younger and contemporary artists; to Jul 27

■ LONDON

CONCERTS
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● BBC Symphony Orchestra: conducted by Andrew Davis in the world premiere of *Sea-Change* by Iannis Xenakis, and works by Prokofiev and Strauss. With pianist John Lill; Jul 23
● Paul Daniel conducts the Chorus of Opera North and tha English Northern Philharmonia in Stravinsky'a *Petrushka* and a semi-staged London premiere of Korngold's *Violanta*, directed by Nigel Lowery; Jul 24
● Sir Peter Maxwell Davies conducts the BBC Philharmonic in *the world premiere of his new* work *Sails in St Magnus I*, inspired by his friend the poet George Mackay Brown. Vassily Sinaisky conducts works by Beethoven and Shostakovich. With pianist Stephen Kovacevich; Jul 25

■ NEW YORK

Lincoln Center Festival 97
Tel: 1-212-875 5030
CONCERTS
● The Intimate Pfitzner: musicians of the Center's Chamber Music Society, the Orchestra of the Royal Opera House and the NY Philharmonic join forces to present this evening of chamber music and songs by Hans Pfitzner, at the Alice Tully Hall; Jul 23
● Pomerium: a cappella early music ensemble presents a pair of concerts designed to complement the festival's presentation of Pfitzner's opera. "Before the Council of Trent", Jul 20, featured music by Palestrina and his predecessors; "After the Council of Trent", Jul 27, places his music alongside that of his contemporaries; Alice Tully Hall

OPERA
Palestrina: by Hans Pfitznar: the Metropolitan Opera House is the setting for the New York debut of London's Royal Opera and US premiere of Pfitzner's opera, which tells the story of 16th century composer Giovanni Perluigi da Palestrina. Tenor Thomas Moser leads a cast of more than 40 in this production, seen at Covent Garden earlier in *the year. The conductor* is Christian Thielemann; Jul 24, 26

■ ROME

CONCERTS
Accademia Nazionale di Santa Cecilia Tel: 39-6-6880 1044
Orchestra and Choir of the Accademia Nazionale di Santa Cecilia: conducted by Yuri Temirkanov in works by Borodin, Rachmaninov and Prokofiev; with piano soloist Dmitrij Alexeev and contralto Larisa Djadkova; Jul 24, 25

■ SALZBURG

Salzburg Festival
Tel: 43-662-844501
CONCERTS
● Camerata Academica Salzburg: conducted by Sándor Végh in works by Mendelssohn and Beethoven. With violin soloist Joshua Bell; at the Grosses Festspielhaus; Jul 25
● Vienna Philharmonic Orchestra: conducted by Seiji Ozawa in works by Berlioz and Schumann. With mezzo-soprano Susan Graham; at tha Grosses Festspielhaus; Jul 26, 27

OPERA
● Die Entführung aus dem Serail: by *Mozart. New production.* Conducted by Mark Minkowski and directed by François Abou Salem with designs by Francine Gaspar. With tha Mozart Orchestra Salzburg and the Konzertvereinigung Wiener Staatsopernchor; at the Residenzhof; Jul 26
● Mitridate Re di Ponto: by *Mozart. Conducted by Roger* Norrington in a new production directed by Jonathan Miller, with sets by Peter J Davison. Bruce Ford sings the title role. With the Camerata Academica Salzburg; at tha Kleines Festspielhaus; Jul 23, 27

THEATRE
● *Der Alpenkönig und der* Menschenfeind: by Ferdinand Raimund. Revival of Pater Stein's production, with sets by Ferdinand Wögerbauer. With music by Wenzel Müller; at the Landestheater; Jul 23, 24
● Libussa: by Franz Grillparzer. New production directed by Peter Stein, with sets by Moidela Bickel. Libussa is played by Dörte Lyssewski; at the Perner-Insel; Jul 24, 25, 26, 26

■ SANTA FE

OPERA
Santa Fa Opera
Tel: 1-505-986 5900
● Arabella: Janice Watson sings the titla rola of Strauss'a opera, in a new production directed by John Cox. The conductor is John Crosby; Jul 23
● Ashoka'a Dream: world premiere of Peter Lieherson's opera, with a libretto by Douglas Penick. Set in ancient India, it tells tha story ofo King Ashoka's transformation from angry conqueror to enlightened governor. Conducted by Richard Bradahaw, in a production directed by Stephen Wadsworth; Jul 26
● Semela: new production of Handel's opera, conducted by John Nelson and directed by John Copley. Elizabeth Futral sings the titla rola; Jul 25

■ SCHLESWIG-HOLSTEIN

CONCERTS
Music Festival
Tel: 49-431-567080
● Festival Orchestra: conducted by Hartmut Haanchen in works by Brahms; the Stadeum, Stada; Jul 23
● Bamberger Symphoniker: conducted by Horst Stein in works by Brahms and Döhl. With piano soloist Rudolf Buchbinder; Musik- und Kongresshalle, Lübeck; Jul 24
● Philharmonie der Nationen: conducted by Justus Frantz in works by Schubert, Grieg and Rachmaninoff; at the Holstenhalla, Neumünster; Jul 26
● Norwegian Chamber Orchestra: conducted by Iona Brown in works by Bach and Nordheim; at the Dom, Meldorf; Jul 27

■ TANGLEWOOD

CONCERTS
Tanglewood Festival
Tal: 1-617-931 2000
● *Boston Symphony Orchestra:* conducted by André Previn in works by Mozart, Haydn and Ravel, with violin soloist Pamela Frank; tha Shed; Jul 25
● Boston Symphony Orchestra: conducted by André Previn in works by by Gould, Copland, Schumann and Gershwin, with clarinet soloist William R. Hudgins; the Shed; Jul 26

■ VERONA

OPERA
Arena di Verona
Tel: 39-45-800 5151
● Madama Butterfly: by Puccini. New production. Conducted by Angelo Campori, with designs by Beni Montresor; casts vary; Jul 23
● Aida: by Verdi. Conducted hy Nello Santi in a staging by Gianfranco de Bosio, revived by Susy Attendoli; Jul 24, 27
● Carmen: by Bizet. Conducted by David Gimenez, in a staging by Franco Zeffirelli. Agnes Baltsa and José Carreras recreate their famous double-act on Jul 19, 22 & 25

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10.00
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A voice for the valleys

Liam Halligan on the pros and cons of Welsh devolution

On the constitutional Richter scale, creating a Welsh assembly ranks far lower than establishing a Scottish parliament. But because the outcome of the Welsh referendum appears to be less certain, with the government facing the real possibility of an upset, the campaign is likely to be fought more viciously.

That campaign began officially yesterday with the publication of tha white paper – A Voice for Wales – which sets out detailed plans for a directly elected Welsh assembly in Cardiff. "This is the first step in a process which will modernise and improve the British constitution," says Mr Ron Davies, Welsh secretary.

Ready to go: Robert Hodge, a leading figure in the anti-devolution campaign

But unlike the proposed Scottish parliament, which could have limited powers to raise income tax rates, the Welsh body would have to settle for a block grant allocated by London.

"Ron [Davies] will be reduced to a bookie's runner, taking messages from Cardiff to Westminster and back again," says Mr Nicholas Bourne, a Conservative who sits on the steering committee of the Welsh "Just say No" campaign.

The government shruggs off such criticisms, pointing to recent opinion polls which suggest the Welsh will vote marginally to favour of devolution on September 18. But Labour is well aware that the Welsh business community, which helped secure the four-to-one rejection of devolution in 1979, remains sceptical.

The Welsh CBI is particularly concerned that Wales' success in attracting some £10bn of inward investment over the past 15 years could be compromised. "An additional layer of government indicates an extra tier of bureaucracy," says Ms Elizabeth Haywood, director of CBI Wales.

Ministers claim the assembly, which will comprise politicians from all parts of Wales, will be able to reach speedy business decisions. "The assembly will not only be business-friendly, but business-oriented," says Mr Peter Hain, Welsh office minister. "It's about bringing Whitehall to Wales and making it more accessible."

Supporters of devolution, such as Professor Kevin Morgan at the University of Wales, say that Europe's most successful regions – such as Catalonia and Baden-Württemberg – have elected assemblies. "These governments are more empowered than any UK institution to develop tailored strategies for business and economic growth," he says.

But Professor Kent Matthews, from the same university, says that because the assembly will "be open to nationalist influences", it could be politically unstable. "They'll want to make it into a doing shop, rather than a talking shop – leading to the conflicts that business abhors."

Prof Matthews argues that while the assembly would give Wales "special regional status allowing it to apply to Brussels for numerous grants", the potential to secure such finance is diminishing. "The trend in the EU now is towards enlargement . . . rather than regional development."

Business also worries that the assembly, once constituted, would press for tax-raising powers. "The white paper has ruled this out," counters Mr Hain. "And the assembly could only raise tax after primary legislation from Westminster."

Beneath the constitutional tremors, lie arguments over Labour's "bonfire of the quangos" – the proposals detailed in the white paper to abolish more than half of Wales' 80 unelected government agencies over the next three years. Overhauling the Welsh quangocracy – a highly influential network controlling a third of the principality's £7bn budget – is likely to provoke untold political squabbling.

Much of the responsibility for economic development in Wales is devolved to the Welsh Development Agency – the most influential quango of all - an arrangement which Labour sees as undemocratic. Mr Davies says that even though there is not one Conservative among the 40 Welsh MPs, spending priorities on roads, schools and housing are largely determined by quango bosses appointed under the last government.

"There is deep anger and frustration that we are still presided over by Tory placemen and women," he says. "Quangos are the public face of the corruption of our public life."

The white paper proposes scrapping nine quangos as a first step, with another 20 being disbanded after assembly elections in May 1999. "A lot of quangos will be culled and others will be brought under the control of the assembly," says Mr Hain. "Once they are no longer controlled by the secret cabals of failed Tory politicians, we will have filled the Welsh democratic deficit."

Under the devolution plans, the assembly will have responsibility for all public services currently run by tha Welsh office – including health, education, and agriculture, but not social security or law and order. The government, while adamant that the assembly will be good for the economy, accepts that the quango overhaul will result in some job losses.

Several opponents of devolution – not all of them Conservatives – say public concern over the quangos' unaccountability does not justify devolution. "The government could scrap the quangos by repealing their status at Westminster, instead of giving their functions to an assembly," says Mr Llew Smith, Labour MP for Blaenau Gwent.

But ministers remain confident the Welsh will vote for devolution anyway. "Attitudes have changed since 1979," Mr Davies says. As his opponents will be reminding him, he was a No campaigner last time around.

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

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British people need informed debate on single currency

From Mr Keith Hill MP, and others.

Sir, Our decision on whether or not we join the single European currency, now or in the future, will have a major impact on the UK's future prosperity. To get this vital decision right, the British people need to be properly informed about the arguments on both sides. Unfortunately, the debate on the single currency in the UK so far has been conducted to an atmosphere of ignorance and prejudice.

The government is to be congratulated for publishing a paper setting out the advantages and disadvantages of British membership of the single currency, and urging a wider national debate. A Gallup poll just released by the European Movement shows 91 per cent of the population support publication of such a paper.

Contrary to Eurosceptic propaganda, the poll also shows British people to be open-minded about the single currency. They want to hear the arguments before they make up their minds. There is all to play for in this debate, and the positive arguments need to be communicated to people who until now have only heard the case against.

In principle, membership of a sensibly constructed single currency offers significant advantages to Britain. Lower interest rates, lower inflation, greater stability for business, and increased inward investment – all helping to create jobs – are likely consequences of joining the euro in the future. Equally, if the UK decided not to join, the consequences could be damaging, reducing investment and harming employment.

Without a full national debate, the British people will not be able to make up their minds on the merits of the issue.

Keith Hill, chairman,
Labour Movement in Europe,
Giles Radice MP, Calum MacDonald MP, Ann Clwyd MP, Bill Rammell MP, Stephen Timms MP, John Home Robertson MP, Anne Campbell MP, Stephen Pound MP, Barry Gardiner MP, Stuart Bell MP, Duncan Campbell Savours MP, Mike Gapes MP, Ben Bradshaw MP, David Kidney MP, Rager Casale MP, Barry Sheerman MP, Hugh Bayley MP,
European Movement – United Kingdom,
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Competition in aerospace must be fair and rational

From Professor Philip Lawrence and others.

Sir, Your editorial on the Boeing/McDonnell Douglas merger ("Brussels on the brink", July 21) overlooks some critical issues in the EU response to the proposal.

In the early 1990s the head of General Dynamics, Bill Anders, foresaw consolidation in the US defence/aerospace sector as likely to produce "One gorilla, two chimpanzees and six marmosets".

In 1997, we now know this was a conservative estimate – $100bn-worth of merger later and we have something much closer to three enormous gorillas. The largest of these creatures is the new Boeing with projected sales of $48bn.

In global terms it is not unreasonable to be concerned about this concentration of market power. Although Airbus has excellent market share its percentage of aircraft in service is low. The key issue posed by the merger is not McDonnell Douglas's market share, but rather its aircrew in service and the likelihood of customer loyalty if their commercial operation is revitalised.

On a wider canvas no one should underestimate what the mercantilist agenda is for the Clinton administration in high technology industries. Consolidated US Aerospace Inc is a platform for global domination of aerospace and defence. The new Boeing will be a force in commercial large jets, space and fighters. Its financial strength in itself will have an impact on its competitive relationship with Airbus.

Of course Airbus will survive but that is not enough. On the basis of the quality of the product Airbus can attain 50 per cent of the market. But Boeing market power can preclude that. Interventions by Karel van Miert, the competition commissioner, are about securing a fair and rational competitive environment in global aerospace.

Philip Lawrence,
director,
Aerospace Research Group,
University of the West of England Bristol,
Dr Anders Hansson,
senior science consultant,
Reaction Engines Ltd
Professor Dieter Schmitt,
department of aeronautical engineering,
Technical University of Munich,
Dr Derek Braddon,
associate director,
Centre for Social and Economic Research, Bristol,
Mr Horst Prem,
consultant,
Ludwig Bölkow Foundation,
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Bristol BS16 1QY, UK

Structural change needed in UK to meet blurring of financial edges

From Professor Warren Edwardes.

Sir, The development of credit derivatives has raised concerns over the legality of such structures when carried out by banks. Under the Insurance Companies Act 1982 only companies authorised by the Department of Trade and Industry can carry out "insurance business". But banks such as NatWest have been writing insurance policies on interest rates (Caps) for a decade.

While such business may have caused banks a few problems, the business has been quite legal under the Financial Services Act 1986. It is regarded as "investment" business and not "insurance" business.

But most derivative marketers, when explaining Caps to clients, have quite correctly referred to them as interest rate insurance policies.

With the emergence of Scottish Widows Bank, Prudential Bank, Midland Life and Britannia Life, the distinction between insurance, banking and building society business has been blurred and should be abolished by the new unified Securities and Investments Board.

There should just be all-purpose financial institutions with supervision based on risk-adjusted capital base, and shareholder approval with protection for retail clients.

Warren Edwardes,
managing director,
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3 Hyde Park Steps,
London W2 2YQ,
UK

Reassuring

From Mr Nicholas King.

Sir, The BBC reports that Lord McAlpine has been appointed leader of the Referendum Movement and will be "calling a meeting of leading figures . . . to decide on the next steps". Also, "a new constitution for the movement has been prepared, but not circulated to members".

How reassuring that a rich and influential group, committed to democracy, has appointed itself to watch over the UK's constitution.

Nicholas King,
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Caught in the current

As sterling's strength makes exporters struggle, **Robert Chote** argues that the UK chancellor must grin and bear it

Mr Bill Phillips, a former cinema manager and crocodile hunter from New Zealand, spent the summer of 1949 locked in a garage in Croydon. There he built a vast hydraulic model of the UK economy from perspex tubes, fishing wire and windscreen-wiper motors from a Lancaster bomber.

Coloured water flowed through its valves and sluices, mimicking the way money circulates round the economy. The "pink lemonade national income machine" became a valuable, if unorthodox, teaching aid at the London School of Economics, where Mr Phillips became a professor.

One demonstration was particularly entertaining. One student would be appointed chancellor and put in charge of the valve which regulated the public finances. Another would be made governor of the Bank of England and handed control over interest ratea. Disaster followed as their unco-ordinated policies sent water flooding everywhere.

For now this lesson seems to have been forgotten. Mr Gordon Brown, the UK chancellor, has split responsibility for fiscal and monetary policy between himself and the Bank. Budgetary policy is supposed to stabilise public sector debt and ensure that the government borrows only to finance investment. The Bank has been left to pursue Mr Brown's inflation target by setting base rates so that demand for goods and services does not outstrip the economy's ability to supply them.

This demarcation of responsibilities takes no account of the way the mix of monetary and fiscal policy affects the exchange rate – and so how economic activity is spread between industries exposed to international competition and those sheltered from it. But leaving the tradeable sector to bear the burden of disinflation may reduca tha long-term growth rate the economy can sustain before rising imports trigger balance of payments problems.

Mr Brown's only formal statement of exchange rate policy so far is that he would like a "stable and competitive pound in the medium term". On the morning after his July 2 Budget, he said nobody could be happy with the 18 per cent rise in sterling since August. But beyond insisting that ha had the mix of monetary and fiscal policy right, there was little else he could do.

Since then the pound has continued rising, aggravating the economic imbalance the chancellor inherited from Mr Kenneth Clarka, his Conservative predecessor. At a time when the Treasury estimates that the economy's spare capacity is all but exhausted, consumer spending is rising at its fastest rate since the boom of the late 1980s – driven by strong growth in post-tax personal incomes and £35bn ($58.45bn) in "windfalls" from building society flotations. Manufacturers meanwhile face weak export orders, with engineering companies recording their biggest fall in output for a decade in May.

Disappointment that Mr Brown did not do more in his Budget to restrain consumer spending propelled the pound higher by cementing expectations that the Bank would raise interest rates in coming months. No one knows how high rates will need to be raised to slow economic activity and safeguard the inflation target. But with no track record and everything to prove there is an obvious danger of overkill as the the monetary policy committee is likely to err on the side of caution.

> No one knows how high rates will need to be raised to slow economic activity and safeguard the inflation target

Sterling's ascent has been dramatic even by the standards of the appreciation between 1979 and 1981 that wiped out a fifth of British manufacturing. Since its low point last August, the pound has risen by almost 26 per cent against a trade-weighted basket of currencies. At this stage of the 1980 appreciation sterling had risen only 15 per cent, reaching a peak increase of 28 per cent five months later.

As in the early 1980s, sterling's strength has been slow to show up to the published trade figures. Exporters have sacrificed profit margins, but the Treasury estimates that thair price competitiveness is worse now than at any time since 1981. Mr Kevin Darlington, at ABN Amro, calculates that the labour costs of UK manufacturers have risen 35 per cent relative to those of Germany over the past year and 18 per cent since 1991.

Mr Jim O'Neill at Goldman Sachs thinks productivity differences and national prica levels justify an exchange rate for the pound of DM2.50, suggesting an overvaluation of about 20 per cent. This tallies with other analysts' estimates of sterling's "fundamental" exchange rate. The dollar may be overvalued to a similar extent, but this has less impact on the domestic economy in the US because it is less open to trade.

Expectationa of higher interest rates and fears that the D-Mark will be subsumed into a weak euro probably explain much of sterling's strength. As a result, HSBC James Capel estimates that "hot money" inflowa to the UK have accelerated to an annual growth rate of about 15 per cent. In addition, a speculative bubble may be exacerbating the pound's strength.

Mr Gerard Lyons, at DKB International, argues that the government could puncture this bubble and reduce the overvaluation by selling sterling. Under the new regime, Mr Brown can still order the Bank to intervene in the foreign exchange markets provided that the impact on the domestic money supply is "sterilised" by extra sales or purchases of UK government bonds.

"If the Bank intervened aggressively, it could deter hot money flows at a time when many people already accept that the pound is overvalued," Mr Lyons says. Murmurs that this might be happening pushed sterling below DM3 last week, but since then it has climbed back to more than DM3.04.

Experience suggests that intervention can help prick speculative bubbles when foreign exchange dealers leave themselves exposed. But in the long term, intervention is likely to be ineffective unless interest rate policy is seen to be pointing in the same direction. And under an independent Bank, there is no guarantee of that.

Mr Simon Wren-Lewis, professor of economics at Exeter University, argues that the chancellor could reduce the pound's speculative froth simply by stating what ha believes would be a sensible rate. But he adds that the Budget was "a wasted opportunity" to get monetary and fiscal policy better in line.

With the Budget opportunity past and interest rates in the hands of a neophyte monetary committee, Mr Brown is left hoping for a "stable and competitive" pound with no obvious means to achieve it. Jawboning and intervention may provide some relief, but having made his bed, the chancellor and Britain's exporters may just have to lie in it.

COMMENT & ANALYSIS

FINANCIAL TIMES
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Wednesday July 23 1997

Peace offer from Boeing

Boeing has blinked. This means the European Commission has obtained its demands and should promptly approva the proposed merger between the US aerospace giant and McDonnell Douglas. Yet it must also avoid the least hint of vainglory. Tha Commission has taken a buge gamble for an uncertain reward. It may have won. But that does not mean its policy has been wise.

The Commission had objected to three features of the proposed merger: that the combined company would have produced 84 per cent of the world's stock of civil aircraft; that Boeing would gain access to government-funded research that could be used in civil manufacture; and that Boeing had signed 20-year single supplier deals with three US airlines. Agreement had already been secured on the first two. Yesterday, Boeing offered to drop tha exclusive contracts as well.

Some in the European Union will see this as a triumph. The truth is very different. The decision by the EU to intervene in a merger between two US companies with minimal European assets was provocative. The objection to the long-term supply contracts between Boeing and the US airlines looked like an attempt merely to protect the position of Airbus. If so, this was industrial policy masquerading as competition policy.

While the long-term contracts were the most difficult of the three issues to resolve, the Commission's position on the other two was far from persuasive. *Boeing's historic dominance* of aircraft sales is such that the addition of McDonnell Douglas is a relatively marginal matter. As to the military research and development, it seems to have escaped the attention of most European observers thet Boeing triumphed in its confrontation with its domestic rivals despite being – perhaps because it was – the least engaged in military, rather than civil, production.

Yet, on tha basis of this strikingly flimsy case, the EU was prepared to take the issue to the brink of a conflict with incalculable consequences for the fabric of transatlantic relations. Indeed some of the Commission's supporters seem actually to have wanted this dire outcome. Fortunataly, they have been disappointed of their hope.

The case of the Commission versus Boeing may now be settled. Fortunately, it also seems unlikely to set a direct precedent, since the structure of this industry is in many ways unique. Yet serious worries remain. Concern for the fate of particular industries can too easily taint competition policy; and the resultant virility display can also threaten transatlantic relations.

That things seem to have worked out this time does not allay those concerns. On the contrary, it may encourage more such risk-taking in future.

Pluralist politics

A welcome gust of democracy is blowing through Westminster. The government's white paper on devolved government in Wales has been accompanied by the news that the Liberal Democrats are to be given an unprecedented role in sbaping Mr Tony Blair's constitutional agenda. A white paper on Scottish devolution will follow tomorrow, with plans for a new elected authority for London to be published next week.

This burst of activity tells us that Mr Blair is serious about remaking Britain's political geography. After two decades in which power has been hoarded in Whitehall and Westminster, the mood of the moment is for decentralisation and pluralism.

It may be said that the invitation to Mr Paddy Ashdown and his colleagues to join a new bipartisan cabinet committee was a cost-free gesture for Mr Blair. The Liberal Democrats will have a voice in government but no real power. Mr Ashdown also risks tying his party's fortunes too closely to that of the government.

But this was a gesture that the prime minister had no need to make. With a parliamentary majority of 179 and the Conservatives in post-election shock he could quite easily have followed the advice of those in his cabinet who would have preferred to see the Liberal Democrats quietly sidelined.

Instead Mr Blair has made good on his pre-election promise to break out of the old tribal *boundaries of politics. The* potential prize for his government is a broad coalition of the centre-left which will leave the Conservatives isolated and powerless in their opposition to political reform.

The new committee also ensures the government will keep its promises on electoral reform. An independent commission will be established in the autumn and its conclusions submitted later to a referendum. Mr Blair has signalled he is still against replacing the first-past-the-post arrangements for the House of Commons with a proportional voting system. But the nation will be able to make up its own mind.

The plan for an assembly in Wales should be viewed in the same spirit. In isolation, the argument for a separate elected body in Cardiff is not conclusive, although something had to be done to bring the plethora of Welsh quangos under democratic control. But in the broader context of Mr Blair's agenda to disperse political power from Westminster, it is hard to see why Wales should deny itself a strong local voice. The case for political pluralism and enhanced local democracy has never been stronger. It has come an important step closer.

Mideast moves

By successfully relaunching talks between Yassir Arafat, the Palestinian leader, and David Levy, Israel's foreign minister, in Brussels yesterday, the European Union is helping to fill the current void in Mideast peace diplomacy.

The two men had not met since April, and the two sides had not talked publicly since March, when they fell out over Jewish settlements in Arab east Jerusalem. in brokering yesterday's apparent progress, the EU has compensated for the absence of any new US initiative to break the deadlock.

There has been, to say the least, a hiatus in Washington's Mideast peace diplomacy. Its special mediator, Mr Dennis Ross, has not been in the region since April. Mrs Madeleine Albright, secretary of state, has focused on other areas of foreign policy – perhaps considering them more fruitful. It had begun to seem as if President Bill Clinton would do nothing to offend the US pro-Israel lobby – which might jeopardise the chances of his friend and vice-president Al Gore succeeding him in 2000.

Europe's initiative, however, may spur Mr Clinton into action. Mr Benjamin Netanyahu, the Israeli prime minister, said this week that he would send an adviser to Washington to discuss new "bridging" proposals. He appears to have in mind some way of jumping more rapidly to the final settlement, envisaged by the 1993 Oslo accords, withont first pulling back Israeli troops as much as tbe Palestinians want.

The trouble is that no further progress is likely until Israel agrees to at least a *de facto* freeze on new building in Jerusalem and the West Bank. This is a step that only the US – as its closest ally – can persuade Israel to take. The EU may be Israel's largest trading partner, as well as the largest aid provider to the Palestinians. Bnt it has strictly limited leverage over the Jewish state and has not always been able to agree on a common approach.

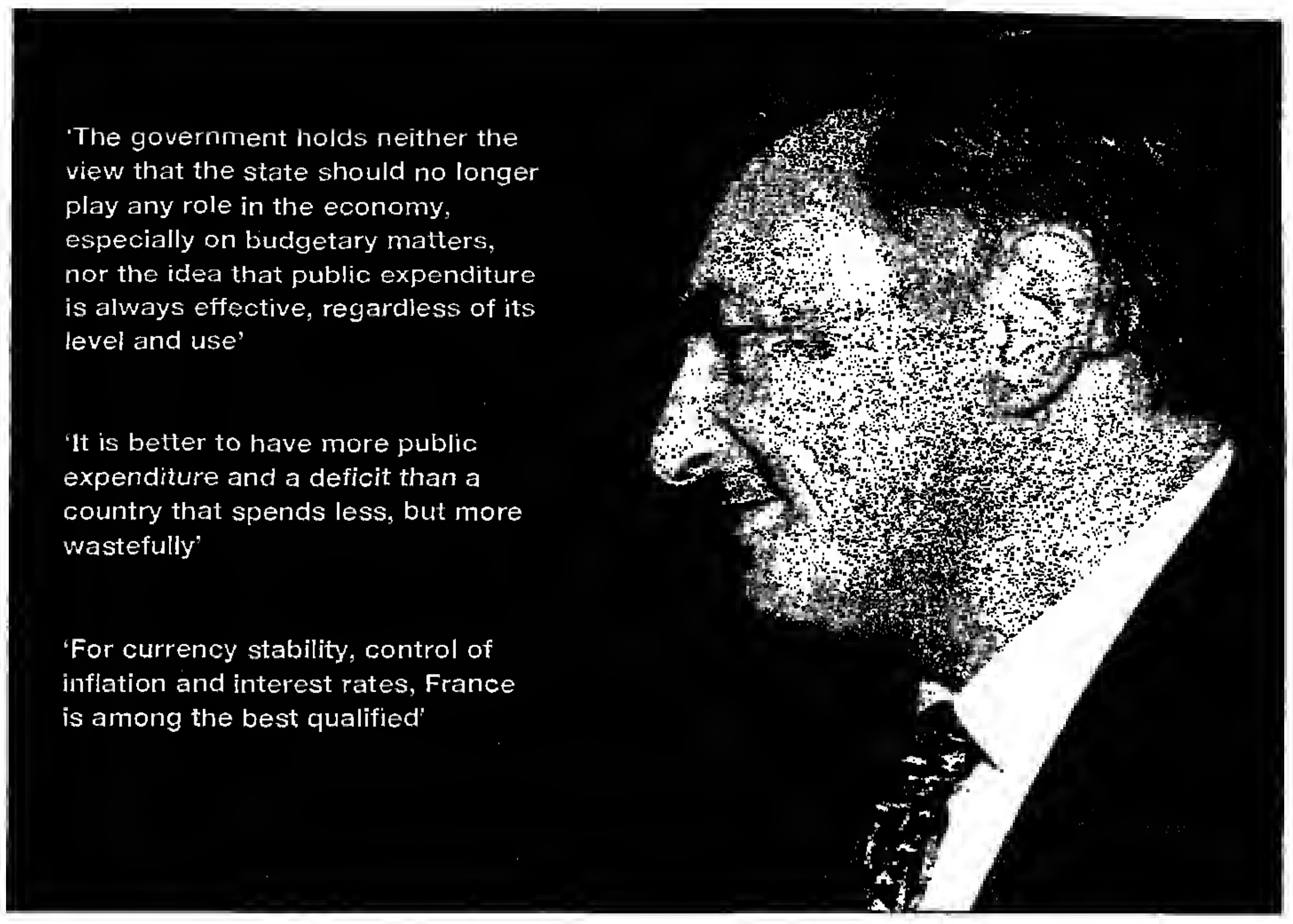
However, geography gives the EU at least as strong an interest as the US in a lasting settlement. It also has political cards to play. It has managed to express support for a Palestinian state whilst remaining relatively even-handed, even though President Chirac briefly marred this image with his stormy visit to Israel last year.

The EU's special envoy, Mr Miguel Angel Moratinos, made good use of his access to all sides in helping engineer this year'a Hebron agreement. He should continue his efforts. The EU cannot replace the US as a mediator, but by its own persistence can goad Washington back into action.

The FT Interview · Dominique Strauss-Kahn

Pragmatism at any price

France's finance minister tells Andrew Jack and David Owen how he plans to balance social pledges with European commitments



Sitting in his stylish modern office and wearing a dark suit and pin-striped shirt, Mr Dominique Strauss-Kahn looks more like an investment banker than a senior figure in France's new Socialist government.

Yet Mr Strauss-Kahn, the minister for economy, finance and industry, this week unveiled a set of budgetary measures that have outraged the country's business community. Among other things, his budget for 1997 will raise company taxes on capital gains and profits to 41.6 per cent – one of the highest rates among leading industrial nations.

That has left some in France wondering whether Mr Strauss-Kahn's arrival in office heralds a return to old-style European socialism. For them, some of his early decisions have undermined his reputation as a moderata politician sensitive to corporate needs and responsive to the evolutions of an increasingly competitive world.

In an interview this week, Mr Strauss-Kahn appeared keen to play up the new administration's pragmatism. "The government holds neither the view that the state should no longer play any role in the economy – especially on bndgetary matters – nor the idea that public expenditure is always effective."

Nonetheless he believes the government has a duty to encourage a consumption-led recovery in investment and growth. A graduate of HEC, France's top business school, and a minister in former Socialist governments, he also sees a redistribution of wealth from companies to employees as one way to achieve this.

Mr Strauss-Kahn says the previous administration led by Mr Alain Juppé weakened growth by measures *such as raising value* added tax in 1995, which dapressed consumer spending. His budget – coupled with a recently announced increase in the minimum wage and job-creation programmes in the public sector – will help raise consumption, he argues.

But how does this week's decision to penalise business square with the need to increase corporate investment, which has been disappointingly low? "Interest rates in France are today the third-lowest in the world," he says. "Corporate resources are particularly large. But companies did not invest mnch last year or at the start of this year, so something must be missing. If it's not cash, it's anticipation of demand."

He is keen to play down the negative impact of his measures on business. He holds up a graphic suggesting that the French corporation tax take as a proportion of gross domestic product is among the lowest in the industrialised world – although the figures exclude the beavy social security charges levied on company payrolls.

He stresses that small companies will be exempted. For the rest, the additional levy will start to be reduced from 1999. "The measures reflect the fact that we want to be part of the euro...To finance [that ambition] we are using yesterday's and today's profits, but not those of tomorrow."

Yet there is an obvious tension between Mr Strauss-Kahn's belief in the role of the state and the practical obligations imposed by France's commitment to participate in European economic and monetary union. On the one hand he says that the effectiveness of government spending is "perhaps more important" than its overall level. "It is better to have more public expenditure and a deficit than be a country that spends less but more wastefully." But on the other, he says: "It is desirable for a country like France to reduce its deficits. Over the years to come, we must continue to cut them."

This week's deficit-reduction package could be interpreted as a continuation of the previous Gaullist government's policy priority of reducing the public deficit below the 3.0 per cent of GDP required by Maastricht.

But there are two nuances to the Socialists' approach, or at least in the way Mr Strauss-Kahn and his colleagues are selling the planned single currency to the French electorate. The first involves highlighting the role the euro might play in tackling the country's record unemployment level, one of the new government's campaign priorities. "Europe is a field of co-operation which can considerably boost the effectiveness of *[national]* economic policies in providing growth and jobs," be says.

The second lies in the government's more flexible understanding of the Maastricht treaty, namely that countries may still be eligible for the single currency even if they report a deficit in excess of 3 per cent of GDP for 1997. "We have always said that our interpretation of the treaty is that we must bave s trend towards 3 per cent," be says.

While the German government officially takes a tougher view on the 3 per cent limit, France seems to be hetting that its neighbour's own difficulties will encourage it to adopt a more flexible interpretation. "We will be at least as eligible as our partners to qualify for the single currency," says the minister.

He concedes that France may not achieve 3 per cent this year, although it will do so in 1998, he says. "Perhaps if my predecessors had kept their promises and implemented 1997 on the basis of 3 per cent, we could have prepared 1998 with an even better result. But that is not the case," he says. "I'm taking over with a deficit of 3.5 per cent. I will cut it as close as possible to 3 per cent. In any case, the budget of 1998 is on the basis of 3 per cent."

But he says that GDP growth – projected to be 2.3 per cent for 1997 – has accelerated sharply in recent months: the final deficit figure may be better than expected. He predicts that by the end of this year, GDP will be rising at an annual rate of about 3 per cent.

The minister is keen, however, to divert attention from the deficit target, whicb he stresses is one of five *criteria in the Maas*tricbt treaty. "For currency stability, control of inflation and interest rates, France is among the best qualified. It is the same for the overall level of public debt, wbere even our German friends exceed tbe target," be says.

"There are some economists who argue that the overall level of debt is more important than the annual deficit, and that the ratio of debt to GDP is more important for the burden imposed on future generations," he says. "As an economist, I am *in this* school of thought. You can criticise the creative accounting that takes place with deficits. It cannot happen with the debt, which shows the reality of an economy."

Another important question is the extent to whicb economic realities will lead the government to carry on with the privatisation of state enterprises, in spite of the opposition of its Communist coalition partner. Mr Strauss-Kahn rejects the previous government's "systematic ideology" of privatisation. "We need to be pragmatic," he says, arguing that sell-offs should only take place if they are in the "national interest" or the interest of the individual company.

"As the prime minister said in June, there is no reason to sell publicly owned companies whicb are performing well. When there is no reason, they will not be sold."

On France Telecom, wbich some ministers expect to be partly privatised this autumn, be confirms *the government is* consulting the employees. "Tbeir views will not determine the outcome, but a decisioo cannot be made without taking their views into account."

in the case of companies wbere a recapitalisation has been agreed with the European competition authorities on condition they are privatised – such as the insurer GAN – the agreements will be respected, he says. "But in long-term situations, such as Air France or Crédit Lyonnais, [the agreements] could be renegotiated."

As for one of the Socialists' other principal election pledges – reduced working bours without any cut in pay – he stresses the distinction between the "slogans" of the campaign from the details of how they will be put into practice. "There will oot be an overall reduction in the total amount of hours worked in the economy. What we want is a redistribution, with an overall increase."

He calls business fears "a bit exaggerated", stressing that the government will emphasise voluntary negotiations and flexibility.

"I sincerely believe that the long-term perspectives for France will be very good because we are an economy in which many structural reforms have not yet taken place – in the banking sector, the labour market, the social protection system and so on," he says.

"Our margin for adaptation is mucb more than neigbbouring countries which have already carried out their reform, not necessarily with very impressive results. The path is narrow, but I am happy that there is a path. *Compared with the situation the* [outgoing] Juppé government found in 1995, the challenge of redressing the fiscal situation ahead of us is much less significant."

· O B S E R V E R ·

Out of the running

■ Yesterday's news that there won't be a Portuguese Grand Prix this year should send a frisson of unease well beyond the Estoril race track.

Five lavish motor racing circuits are just built or under construction – in Malaysia, South Korea, China, Indonesia and Turkey – and are virtually guaranteed grands prix for next year or 1999. Add the European threats to curb tobacco sponsorship, and Europe must expect some of the 12 rounds it usually hosts in the 16-race championship to go up in smoke.

Motorsport's governing body FIA pulled this year's Portuguese race because n $6m track improvement couldn't be guaranteed on time, and awarded the race to Spain. A government proposal that Estoril could be a 17th race was rejected by the racing teams – they think 16 gruelling outings a year are quite enough. If that line holds, something will have to give when the new circuits come on line.

The wheel turns

■ Yesterday's takeover of Dobbs Automative by Wayne Huizenga's Republic Industries brings US car dealing full circle. The Memphis outfit, founded in 1921 as Hull-Dobbs, was credited with inventing "the System" – the way much of the industry moved metal in ths 1950s and 1960s. Punters were passed from salesman to salesman, and given the impression that there was some real bargaining going on, while in reality the price was being pushed ever upwards. A spell with the finance people would push the total up even higher.

Consumer power has seen these methods decline, and Huizenga, whose other corporate inventions include Waste Management and Blockbuster, has been at the forefront of the *move towards fixed-price*, no-haggle selling. So the company that reinvented car dealership is being taken over by the company that has reinvented it all over again.

Après Nato...

■ Russia's many believers in devils, geomancy and the sixth dimension won't have been surprised yesterday when a team of Moscow astrologers came out with an explanation for the unseasonal floods inundating several former Communist countries in central Europe.

Alexei Mitrofanov, who chairs the Russian parliament's committee for geopolitical affairs, says the astrologers are adamant that the rains were triggered by Nato's decision at its Madrid summit two weeks ago to admit the Czech Republic, Hungary and Poland.

"According to the astrologers, what happened in Madrid disturbed the spirit of Stalin," Mitrofanov's office said. Maybe it's just as well Nato didn't take up France's suggestion to let in Romania and Slovenia as well. And the admission of a Baltic state would surely bave been the cue for Stalin to rise from his grave beside the Kremlin wall and perform a rain dance on Red Square.

Motta mouth

■ Brazilian president Fernando Henrique Cardoso seems to have lost patience witb communications minister Sérgio Motta who, with the stock market heading south on devaluation fears last week, tangled with Cardoso's economic advisers. The market promptly dropped further.

Motta dug himself deeper with a magazine interview in which he managed to criticise four ministerial colleagues, tick off the president for inviting a rival party leader to his home and describe Cardoso's choice for a government post in Minas Gerais state as "an embarrassment".

Cardoso summoned Motta to a "dinner" to explain himself on Monday night, where it's believed the president applied a very strong gag. Some Brasília insiders *think he might* be for the chop, but be's been one of the president's closest supporters since they met in São Paulo in the early 1970s. his acute political antennae are of great use to Cardoso and, as the government's main fixer until recently, he probably knows wbere too many bodies are buried to be turned loose.

Golden goodbye

■ After last week's upheavals at AT&T, it's refreshing to bear of a *chief executive* stepping down gracefully, and rewarding loyal employees into the bargain. Izzy Asper is about to give up tbe reins at Canadian broadcaster Canwest Global Communications, which also has extensive broadcasting interests in Australia and New Zealand.

To mark his departure, Canwest is handing out C$1m to its employees, with individual amounts based entirely on years of service. Each will collect between C$400 and C$2,500. Asper has looked after himself, too. His salary and bonus came to C$1.6m last year, his family remains Canwest's dominant shareholder, and Asper will continue to prowl the corridors as executive chairman.

The Financial Times

100 years ago

A Brawling Barrister
What is the correct course for all parties concerned in sucb circumstances as the following? At a dinner party, after the ladies have retired, and while the gentlemen are peacefully discussing their coffee and cigarettes, one of the guests rises from his seat, crosses the room, and, without a word of warning, strikes one of his fellow guests a violent blow in the face . . . I suppose there is nothing for it but to leave the offender to the reprobation of all decently-conducted people. I may add that the foregoing is not a hypothetical case. The incident occurred, exactly *as described, at a* dinner party given a few nights ago at a private house in London.

50 years ago

Bombay Commentary
in Bombay, a new company has launched a broadcasting service, direct from the Stock Exchange, to the offices and homes of subscribers, which gives a non-stop running commentary on the market. An announcer in a special booth announces the quotations and the changes, without a break, much in the style of a running commentary on cricket, so that the listener has no need to wait more than a few seconds to know the precise quotation he may need.

FINANCIAL TIMES
Wednesday July 23 1997

Malaysian premier in veiled attack on Soros

By James Kynge in Kuala Lumpur and Tracy Corrigan in New York

Dr Mahathir Mohamad, Malaysia's prime minister, has condemned a "certain powerful Americao financier" for politically motivated speculative attacks on south-east Asian currencies.

His statement, which left little doubt that he was referring to Mr George Soros, the US financier, preceded a revelation yesterday that Malaysia's central bank has paid heavily in its battle with speculators since early July.

Bank Negara, the ceotral bank, announced that its foreign exchange reserves fell by 12.5 per ceot from M$70.7bn to M$61.9bo ($23.8bn) in the 15 days to July 15.

Though it is unlikely that all of the funds were speot oo defending the Malaysian dollar, previous estimates that the bank, which itself once had a reputation as a fearsome speculator, bad speot about US$2bo now appear too conservative.

Dr Mahathir's attack was published in several Malaysian newspapers to coincide with his return yesterday from two-months abroad.

"Are we sovereign nations? If we are sovereign nations, shouldn't we be able to protect what belongs to us? Instead we are told that we should allow for such speculative activities . . . but they are teaming up to impoverish the poor countries," said Dr Mahathir.

"If they want to attack the British pound, by all means do so. Britain is rich. Malaysia is a poor country and it is not right for people like these to play and speculate with our currency," he added.

The prime minister said the recent turmoil in regional currency markets may have been caused by a speculator who was opposed to south-east Asia's engagement of Burma. He described this as the agenda of a "particular person who is patroo of a foundation".

Mr Soros, whose foreign currency speculation contributed to sterliog's exit from the European exchange rate mechanism in September 1992, is patron of e humanitarian foundation called the Open Society Institute. It eetablished a Burma project in 1994 to support "organisations dedicated to the restoration and preservation of fundameotal freedoms, including political, ecooomic, eovironmental and human rights for all the people of Burma".

Soros Fund management in New York said "the foundations founded and funded by Mr Soros play no role in the investment decisions of Soros Fund management".

Mr Soros handed over the operational management of Soros Fund Management in 1989 to Mr Stanley Druckenmiller, the fund's chief investment strategist.

The Association of South East Asiao Nations, the regioo's top political grouping, is due to admit Burma into its organisatioo today, which some commentators say will legitimise the Rangoon military government.

Lex, Page 14

Palestine and Israel agree to relaunch peace talks

By Lionel Barber in Brussels

Mr Yassir Arafat, the Palestinian leader, and Mr David Levy, Israeli foreign minister, last night said they had agreed to relaunch peace talks suspended since March when Israel started building a Jewish settlement in east Jerusalem.

After a "frank and positive" meeting in Brussels arranged by the European Union, Mr Levy indicated that he had received important assurances from Mr Arafat on security issues. The Israeli government has long beeo pressing the Palestinian leader to crack down against Hamas, the Islamic resistance movement.

"I was very satisfied with the message which I heard from Mr Arafat," the Israeli foreign minister told a news conference. "It [the peace process] must succeed. We do not have the right to fail."

Mr Arafat, who called Mr Levy his "cousio", stressed the need to rebuild confidence. This incinded setting up a safe corridor between Gaza and the West Bank, opening an air and sea port in Gaza, and releasing political prisoners.

"We have to continue these meetings in order to continue the peace process which is facing serious challenges," he said.

Mr Jacques Poos, foreign minister of Luxembourg which holds the rotating EU presidency, made clear that last oight's understanding between Mr Arafat and Mr Levy merely extended to relaunching peace talks. It was not an effort to resolve any individual issues.

Both sides would work on a "code of conduct" to avoid frash obstacles surfaciog which could derail the peace talks – an indirect reference to the Israeli government's settlements policy.

The apparent breakthrough in the peace process follows a round of shuttle diplomacy in the region by Mr Miguel Angel Moratinos, the EU's special Middle East envoy.

Mr Levy and Mr Arafat paid tribute to Mr Moratinos, who has been working alongside Mr Dennis Ross, the chief US Middle East envoy. However, the US has taken a lower profile in recent weeks following the breakdown in contacts between the two sides.

Last Sunday, the Palestinian authorities uncovered a cell organised by Hamas. The timiog looks more significant after last night's understanding and may reflect concern on Mr Arafat's part that violence in the West Bank could undermine his authority.

Editorial Comment, Page 13

THE LEX COLUMN

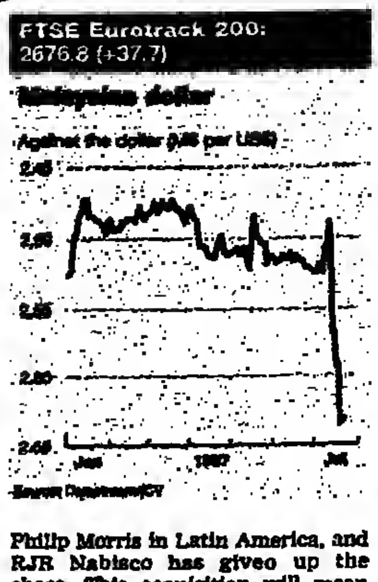
Boeing's safe landing

Those who thought the Boeing/European Commission scrap might trigger the next equity bear market will have to look for another cause. By standing firm - to the point of risking a transatlantic trade war – the Commission has forced Boeing to give ground in exchange for approving its merger with McDonnell Douglas.

The curiosity is that Boeing's long-term exclusive supply deals with three airlines, the main sticking point, are really nothing to do with the merger. The first, with American Airlines, was signed before the McDonnell deal was announced. But Airbus, the European consortium which is Boeing's main competitor, will still be pleased that the exclusive contracts are being modified. In practice, the airlines are almost certain to continue to operate a buy Boeing policy: it is more convenient both for training pilots and maintenance to have a fleet made up of aircraft from a single supplier. But Airbus can now have a shot at weaning the airlines off Boeing, although its products and prices will have to become much more competitive if it is to succeed.

That increases the pressure on Airbus to turn itself from a consortium into a proper company to meet the competitive threat from Boeing/McDonnell. But, with the world airframe market fast shrinking into three big contractors – Boeing, Airbus and Lockheed Martin – there is perhaps even greater pressure on their suppliers to consolidate. A splintered supply industry could easily find its profits squeezed.

FTSE Eurotrack 200:
2676.8 (+37.7)



BAT Industries

The last British company to make waves in Mexico was Allied Domecq, and it saw much of its investment in Pedro Domecq go up in smoke with the peso crisis. So it is perhaps surprising that investors welcomed BAT Industries' push into Mexican tobacco through the $1.7bn purchase of Cigarrera La Moderna (CLM). And this is no bargain. At 12.2 times next year's projected operating profits, BAT is paying almost double the valuation of the UK's two listed tobacco companies. There are no real cost savings. And at a time when investors' appetite for cigarettes is cool, BAT has done a deal which may not enhance next year's earnings, let alone cover its weighted average cost of capital.

At least the strategy looks sound. BAT is already streets ahead of Philip Morris in Latin America, and RJR Nabisco has giveo up the chase. This acquisition will mean BAT is market leader in Mexico, Brazil, Chile and Venezuela, leaving Argentina as the only significant weak point. It knows CLM well – it owned and managed it before the introduction of unfriendly foreign ownership rules in the 1970s. It can sell its international brands, like Lucky Strike and Kent, via CLM's distributioo network. And Philip Morris paid a higher price to take control of CLM's only real competitor, Cigatam. Philip Morris will also want e decent return on its investment, which should encourage a softening of recent cigarette price wars. But it does not make this a great deal for BAT.

Asian currencies

Dr Mahathir Mohamad, Malaysia's prime minister, is not the first south-east Asian leader to point the finger at Mr George Soros for crippling his currency. But he should know better than most that currency speculation is not a one-way bet. After all, in the early 1990s, Bank Negara, Malaysia's central bank, was one of the most swashbuckling speculators in the currency markets. But it lost a total of over M$15bn in 1992 and 1993, before retiring from big-time currency trading. And as a central bank, it would be better placed than the likes of Mr Soros to get it right.

East Asian currencies have succumbed to pressure from traders primarily because they spotted the anomaly of currencies pegged to a strong US dollar when their trade is not closely linked to the US. It is analogous to the European experience in 1992 when imported German monetary policy was inappropriate for countries like the UK. And while Asian governments may berate the impact of foreign capital flows, they cannot extricate themselves while they have significant external debt.

Nonetheless, their currency machismo ignores the fact that devaluation should help rebuild manufacturing competitiveness. And in the case of Malaysia, it does not look as vulnerable to further devaluation as, say, Thailand. Its current account deficit is less, its economy more robust, and its financial sector in far better shape. The government would be wise to stick to rhetoric rather than taking anti-speculative action.

German shareholdings

The merger between Bayerische Vereinsbank and Bayerische Hypo-Bank opens up a tempting vision: that corporate Germany might be able to unravel its web of strategic shareholdings io a tax-free manner, thereby fostering consolidation and improving returns.

It hinges on a 1958 legal opinion – the *Tauschgutachten* – allowing two parties to swap assets without incurring e horrendous 60 per cent capital gains tax bill. To qualify, such an exchange has to fulfil three conditions. The two assets must be of equal value, of equal type – such as two parcels of shares – and of equal function. While Vereinsbank was ehle to exchange its holding in Allianz for shares in Hypo-Bank since both were financial companies, Deutsche Bank would not be able to swap its Daimler-Benz stake for, say, Commerzbank shares. However, whether e transaction is ultimately allowable depends on a ruling from the local tax office. The authorities in Munich, which oversaw this week's deal, appear to be a lot looser in their interpretation of the rules than those in Frankfurt.

Despite these restrictions, the *Tauschgutachten* is a potentially powerful tool – much of the value of the Bavarian merger comes from the tax-free unlocking of the Allianz stake. The biggest scope for copycet deals lies among banks and insurers, where the cross-holdings are concentrated and consolidation is gathering pace. That expleins why German bank shares jumped nearly 10 per cent yesterday.

Additional Lex note on Littlewoods, Page 21

Boeing near to deal

Continued from Page 1

Van Miert to ban the merger – a move which would have allowed the Commission to impose fines of up to 10 per cent of Boeing's revenues. In spite of reservations from member states, including the UK, Germany, Sweden and Finland, that this tough stance could jeopardise transatlantic relations, oational anti-trust experts twice backed Mr Van Miert unanimously.

The completed offer from Boeing will be put to the 20 Commissioners today at their regular meeting.

Mr Van Miert needs only a majority of the Commission to win the vote.

BAT buys Cigarrera

Continued from Page 1

Star in the UK. The demerger had beeo under consideration.

The acquisitioo will be financed by increasing BAT's borrowings, lifting its ratio of borrowings to equity to 65 per cent by the year end. BAT will pay $1bn in cash and $500m in the form of a loan note. It will aleo assume borrowiogs of $212m.

Mr Romo, executive chairman of ELM, said he wished to concentrate on new business interests, including US and European agro-biotechoology ventures.

BAT shares closed up 13½p at 531p.

Taiwan may ease ban on HK groups backed by China

By Gillian Tett in Tokyo

Taiwan yesterday indicated it would lift long-standing curbs oo ioward iovestmeots by Chinese-backed companies based in Hong Kong.

The offer came as Hoog Kong agreed to drop its opposition to Taiwan's application to join the World Trade Organisation.

The agreement, which still has to be ratified by the two governments, comes at the end of two days of secret talks in Tokyo about Taiwan's application to join the WTO.

The talks are the first since Hong Kong, which is a WTO member, reverted to Chinese rule three weeks ago. The agreement is likely to fuel speculation about the role that Hong Kong may play in furthering Chinese interests in Taiwan.

Taiwanese law bans imports of capital or goods from China into Taiwao and stipulates that Chinese-based companies cannot iovest in Taiwan. This reflects the loog-standing hostility between the two countries. China regards Taiwan as a renegade province.

However, companies based in a third territory – such as Hong Kong – bave been allowed to invest in Taiwan as loog as the combined Chinese shareholding in them did not exceed 20 per ceot.

This law has sometimes been interpreted loosely, allowiog Hong Kong companies such as Cathay Pacific airline, in which Chinese shareholders have large interests, to maintain a presence in Taiwan.

However, the controls have eeted as a barrier to most Chinese-backed companies, provoking irritation among both Hong Kong and Chinese business groups.

However, one official at the talks said of the Chinese-backed groups based in Hong Kong: "These companies will not face any additional restriction that other companies do not face."

Taiwan aleo agreed to long-standing Hong Kong demands for greater market access in goods and services, including banking and insurance. It also agreed to reduce tariffs oo a range of industrial goods such as textiles.

A Hong Kong official said: "We have initialled the schedule of concessions – we hava broadly agreed the issues of market access."

The agreement, which came after the sixth round of talks, will help pave the wey for eveotual Taiwanese membership of the WTO. However, Taiwan is unlikely to be admitted until after China joins the WTO, and Taiwan still needs to reach bilateral agreements with six other WTO members before the terms of its accession are settled.

FT WEATHER GUIDE

Europe today

Most of the Mediterranean will be sunny and hot, but central and northern Spain will have a few thundery showers.

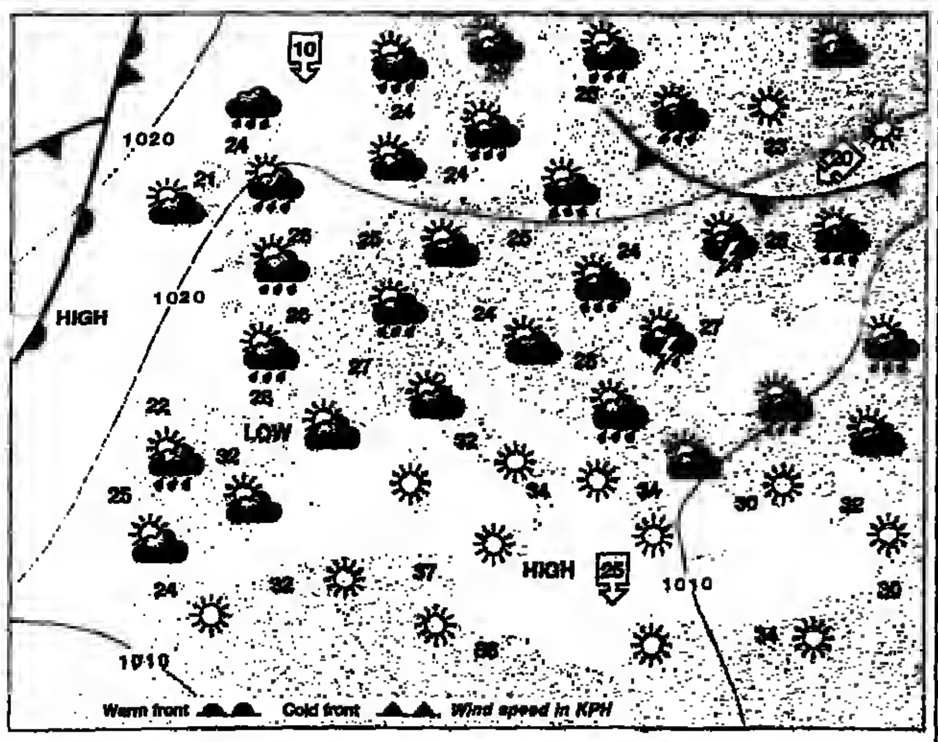
Central and north-west Europe will be very warm and humid with sunny spells, but a few heavy showers and thunderstorms will break out in the afternoon.

Southern Scandinavia will have a mix of sun and showers, but northern Scandinavia will be very sunny with a few isolated showers.

The unsettled weather will continue across eastern Europe with localised heavy downpours of rain, although there will also be some spells of hot sunshine.

Five-day forecast

The Mediterranean will stay mainly hot and sunny with just a few thunderstorms, mostly over the mountains. Central and eastern Europe will have a short break from the recent unsettled weather before it becomes very showery again by the weekend. Scandinavia will stay warm, dry and sunny.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum Celsius										
		Beijing	Fair 34	Caracas	Thunder 34	Faro	Sun 28	Madrid	Thunder 32	Rangoon	Cloudy 32
		Belfast	Sun 24	Cardiff	Sun 24	Frankfurt	Thunder 24	Majorca	Sun 30	Reykjavik	Cloudy 14
Abu Dhabi	Sun 41	Belgrade	Shower 25	Casablanca	Fair 25	Geneva	Fair 27	Malta	Sun 33	Rio	Shower 24
Accra	Fair 26	Berlin	Fair 25	Chicago	Thunder 23	Gibraltar	Fair 27	Manchester	Shower 24	Rome	Sun 32
Algiers	Fair 33	Bermuda	Cloudy 30	Cologne	Thunder 24	Glasgow	Sun 23	Manila	Shower 34	S. Frsco	Fair 23
Amsterdam	Shower 24	Bogota	Fair 17	Dakar	Fair 30	Hamburg	Thunder 28	Melbourne	Shower 15	Seoul	Fair 33
Athens	Sun 33	Bombay	Cloudy 33	Dallas	Fair 37	Helsinki	Fair 27	Mexico City	Fair 26	Singapore	Fair 31
Atlanta	Thunder 32	Brussels	Shower 23	Delhi	Cloudy 30	Hong Kong	Thunder 31	Miami	Fair 32	Stockholm	Fair 27
B. Aires	Fair 16	Budapest	Cloudy 24	Dubai	Sun 42	Honolulu	Sun 32	Milan	Sun 26	Strasbourg	Fair 25
B.Ham	Fair 25	C.Hagen	Fair 24	Dublin	Fair 22	Istanbul	Sun 29	Montreal	Fair 27	Sydney	Fair 17
Bangkok	Thunder 34	Cairo	Sun 36	Dubrovnik	Sun 27	Jakarta	Fair 32	Moscow	Shower 25	Tangier	Fair 27
Barcelona	Sun 27	Cape Town	Sun 19	Edinburgh	Fair 21	Jersey	Fair 19	Munich	Thunder 25	Tel Aviv	Sun 34
						Karachi	Fair 38	Nairobi	Fair 25	Tokyo	Fair 30
						Kuwait	Sun 45	Naples	Sun 30	Toronto	Fair 26
						L. Angeles	Fair 25	Nassau	Fair 32	Vancouver	Cloudy 19
						Las Palmas	Fair 27	New York	Thunder 26	Venice	Sun 26
						Lima	Cloudy 25	Nice	Sun 27	Vienna	Shower 25
						Lisbon	Fair 26	Nicosia	Sun 34	Warsaw	Shower 23
						London	Fair 25	Oslo	Fair 24	Washington	Thunder 31
						Lux.Bourg	Shower 22	Paris	Fair 25	Wellington	Shower 12
						Lyon	Sun 28	Perth	Fair 20	Winnipeg	Fair 27
						Madeira	Fair 25	Prague	Shower 23	Zurich	Fair 23

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Volvo reports strong first half

Volvo, the Swedish car and truck maker, reported higher first-half profits as losses at its North American trucks subsidiary were offset by growth in its cars division. Operating profits rose from SKr2.3bn to SKr3.9bn ($500m). Page 18

PolyGram held back by film division
Strong album sales failed to lift the first-half profits of PolyGram, the world's largest music company, which is still grappling with losses in its film division. Page 18

Commercial Union buys stake in UFF
Commercial Union, the UK insurer, moved to strengthen its life operations in France with the acquisition of a 55.8 per cent stake in Union Financière de France for FFr1.29bn ($210m) from Credit Agricole Indosuez. Page 21

Walt Disney up 18% in third quarter
Walt Disney, the US entertainment group, reported third-quarter net income up 18 per cent at $473m. The company credited its creative content divisions – films, TV programming and retailing – and theme parks for the rise. Page 20

Dutch chemicals group to buy Veba unit
DSM, the Dutch chemicals group, agreed a Fl 1bn ($495m) deal to buy and expand Vestolen, a unit of the German oil refiner Veba Oel, which is part of the Veba industrial group. Page 18

Ticket tax restricts US airlines
US airlines reported healthy results for the second quarter, although profits were dented by the reinstatement of a 10 per cent ticket tax on internal US flights. Page 20

Petron profits up 13% in first half
Petron, the Philippines' largest oil group, announced first-half profits up 13 per cent at 2.25bn pesos ($80m). Page 16

Banco Hispano to split shares
Banco Central Hispano, the Spanish banking group, plans to halve the nominal value of its shares to attract small investors. Page 18

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Chief price changes yesterday

FRANKFURT (DM)			**PARIS (FFr)**		
Rises			Rises		
Aachen Mch	1860	+ 65	BIC	980	+ 35
Allianz	455.50	+ 36	CGF	281.50	+ 11.50
Commerzbank	63	+ 6.90	Renault	164.90	+ 9.30
Porsche	2800	+ 140	Sagem	3059	+ 121
Verein-West	405	+ 19	Sanofi	551	+ 18
Falls			Falls		
MAN	529	− 9	Dexia France	577	− 12
NEW YORK ($)			**TOKYO (Yen)**		
Rises			Rises		
Pepsico	38¼	+ 2¼	Sankyo	4300	+ 130
Ryl Caribbean	37⅞	+ 2¼	Zexel Corp	591	+ 58
Wackenhut	27½	+ 3	Falls		
Falls			Aoyama Trading	3840	− 168
Fahnestock A	18⅞	− 7⅛	Cosmo Oil	465	− 34
SPX Corp	54⅝	− 8¼	Mito Denko	2220	− 110
Tupperware	34⅝	− 2⅝	Tokyo Electric	5820	− 490
LONDON (Pence)			**HONG KONG (HK$)**		
Rises			Rises		
Channel Hldgs	31½	+ 5	HK & China Gas	16.30	+ 0.60
Country Cslo	132½	+ 15	HK Electric	31.60	+ 0.90
Falls			Falls		
Brit Airways	628	− 34½	Amoy Props	8.05	− 0.10
Copyright	61½	− 7	Henderson Inv	8.25	− 0.15
Hydro Intl	22½	− 6	Hopewell Hldgs	4.78	− 0.13
Steel Grp	68	− 27	Wing On	8.10	− 0.10
TORONTO (C$)			**BANGKOK (Baht)**		
Rises			Rises		
Canbra fw	3.50	+ 0.50	Bangkok First	55.00	+ 5.00
Sakic Hldgs	9.00	+ 1.20	Nava Finance	28.00	+ 2.50
Southstoken	9.75	+ 0.75	Thai Rayon Co	60.50	+ 5.50
Falls			Falls		
Arrabre Enter	2.25	− 0.45	Ayudhya Life	22.75	− 2.50
Intl Corona	3.50	− 0.50	Shinawatra	33.25	− 3.50
Spar Aerospace	10.60	− 1.25	Thanakar	28.60	− 3.50

New York & Toronto prices at 12.30.

Firm appoints its first non-US worldwide managing partner

Andersen breaks with tradition

By Jim Kelly in London

Arthur Andarsan, tha international accountancy and professional services firm, will tomorrow appoint its first non-American worldwide managing partner in a significant break with the past.

The appointment of Mr Jim Wadia, the 49-year-old head of its UK practice, also signals Arthur Andersen's determination to reassure clients that it is unaffected by recent squabbles with its sister firm – Andersen Consulting.

"I am honoured to have been appointed to lead our 52,000 employees into the 21st century," said Mr Wadia, who emerged as the favoured candidate after extensive soundings wera takan among tha firm's 1,700 partners.

The appointment will come as a surprise to the partners, who were told by the outgoing managing partner, Mr Dick Measelle, aged 58, that he was retiring at a meeting in Paris earlier this year. No public announcement was made.

In a statement, Arthur Andersen said it had an "informal policy" that senior managers "divest themselves of firm-wide responsibilities" at 56 to clear the way for younger partners.

Mr Measelle, a tough manager with a macho managerial image which included running with the bulls in Pamplona, held the position for eight years. He oversaw growth in revenues from $1.9bn in 1990 to $5bn in the current fiscal year.

Jim Wadia: emerged as the favourite after extensive soundings of the firm's 1,700 partners

Mr Wadia has a reputation as a patient manager with a flair for solving problems.

His appointment will be seen as increasing the chances that the problems between the two sister firms can be contained – if not entirely resolved.

His relative youth and cosmopolitan non-US background will be seen as strong indications of tha kind of global brand image that Arthur Andersen is seeking.

The firm was founded in 1913 in Chicago and Andersen Consulting was created in 1989.

Mr Wadia – who was born in Bombay, educated in Switzerland, and intends to go on living in London – was one of two candidates who failed to win a "supermajority" in recent elections to find a chief executiva for Andersen Worldwide, the umbrella organisation for both firms.

The partners also failed to back Mr George Shaheen, worldwide managing partner of Andersen Consulting. Neither won backing from the other's firm because of turf wars and simmering rows over cost sharing and governance within tha organisation. Tha announcement emphasises the autonomy of Arthur Andersen.

Versace insured for $20m at Lloyd's

By Christopher Adams, Insurance Correspondent

Gianni Versace's fashion empire could struggle to survive without him, but an insurance policy protecting the business against his death may go some way towards compensating for the loss of such a crucial figurehead.

Mr Versace, shot dead last week outside his Miami home, was insured at Lloyd's of London for L35bn ($20.01m) under the terms of an insurance policy taken out by his company. Underwriters say the group has yet to make a claim.

The so-called "key man" policy that covered the group against his death is not uncommon. When Mr Matthew Harding, the UK millionaire insurance broker, died in a helicopter crash last year, his company Benfield claimed £16m ($26.7m) with its policy.

It is impossible to measure the precise financial impact of the loss of Mr Versace, but underwriters typically calculate the insurance premium they charge by looking at the salary of a key man, the financial performance of the company he manages and his position within it.

"With Versace, it would have been his designing ability, his contacts and the people he was seen with. He was very much upfront. Because it's got his name, it sells," said one underwriter.

Mr Versace not only founded his business and designed the products which bear his name, but the close relationship between brand recognition and his flamboyant public persona has helped drive the company's success.

It is not just businesses that take out key man policies. Highly paid American footballers are often similarly covered against injury and the policies can insure sums of up to $100m. It is often smaller businesses, rather than large ones, which are most at risk from the loss of a key executive.

"One of the major reasons why people buy them is when there's a change in the structure of the company. If a bank is putting money in, it may insist on a key man insurance policy to protect its investment," said a broker.

The insurance policy covering Versace was led by an insurance syndicate at Lloyd's managed by the RJ Kiln underwriting agency.

Arnault doubles his stake in GrandMet

By David Blackwell and Ross Tieman in London

Mr Bernard Arnault, LVMH chairman, yesterday stepped up his drive to make Guinness and GrandMet recast their £24bn ($40.08bn) merger by acquiring enough shares in GrandMet to call an extraordinary meeting of shareholders.

Deploying a novel scheme devised by his merchant bank adviser, BZW, Mr Arnault sold shares in Guinness in order to buy GrandMet.

Acting on behalf of LVMH, brokers at BZW offered to buy three GrandMet shares for two Guinness shares and cash to the value of a third GrandMet share, plus 20p.

Analysts believe that most of the 118m GrandMet shares traded, equivalent to 6.4 per cent, went to Mr Arnault. If that is the case, he will hava doubled his stake to 12 per cent – above the 10 per cent threshold necessary to call an extraordinary meeting. At tha same time 47m Guinness shares were traded, which could have cut his stake from 14.2 per cent to 12 per cent.

For the first time since May 12 when the merger was announced the shares closed widely apart – Guinness at 598p, down 9½p, and GrandMet at 622p, up 16p.

This reflects the premium that Mr Arnault was offering GrandMet shareholders.

Mr Arnault must today notify the stock exchange of the stake he now holds in each company. Mr Arnault resigned on Monday from the Guinness board. His resignation is expected to be accepted today, immediately before the start of the close season – the two months when directors cannot trade in their company's shares ahead of interim results.

The boards of Guinness and GrandMet are still drawing up their response to Mr Arnault's alternative to their merger to form GMG Brands.

Instead, he has suggested a three-way merger of the wines and spirits businesses of Guinness and GrandMet, with the Moet Hennessy subsidiary of LVMH.

Banks get tough with Kia over rescue plans

By John Burton in Seoul

South Korean banks yesterday refused to meet the full funding requested by the troubled Kia group after it came close to bankruptcy last week.

Kia's creditor banks, which have placed Korea's third-largest carmaker under bankruptcy protection, agreed to provide only Won160bn ($180m) of the Won356bn it requested to keep going until the end of July.

At the end of this month the banks, led by Korea First Bank, will discuss a more comprehensive rescue plan for Kia, which has debts of Won9,500bn.

They have demanded that Kia executives surrender management control and accept responsibility for the group's financial troubles, which were caused by over-expansion and poor domestic sales. Under the plan, Kia shares owned by its subsidiaries and executives would be transferred to the banks. Kia has resisted the demand, saying its recovery should be supervised by the current management.

The government has also called on the banks to provide emergency loans to some of Kia's 5,000 subcontractors to prevent bankruptcies among them, but tha banks have been cautious in response.

On Monday, Kia submitted a restructuring plan, under which it hoped to raise Won4,160bn through property sales and the disposal of its lossmaking steel unit. It said it would reduce the number of its affiliates from 28 to 14, selling companies such as Kia Steel, and shed 5,000 jobs throughout the group.

Analysts were not impressed. "It's like sticking your fingers in a leaky dam that's about to burst," said Mr Henry Morris, a managing director at Coryo International (HK), a Korean investment group.

Kia is expected to find it hard to raise capital from sales to service its debts. "Kia will have problems in finding a buyer for its steel business. The industry is already depressed because of the collapse of the Hanbo and Sammi steel groups earlier this year," said Mr Daniel Harwood, north-east Asian manager for ABN-Amro Hoare Govett Asia Securities.

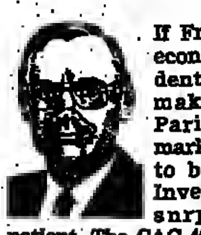
"More important, I'm sceptical whether Kia can raise a planned Won3,000bn through land sales because the property market is weak due to distressed land sales by other groups in financial trouble."

The banks have also asked Kia to sell its heavily indebted commercial vehicle unit, Asia Motors. They demand that Kia produce a firm schedule for disposal of its assets, which include a hotel, a professional basketball team, and property belonging to Asia Motors in the city of Kwangju.

Kia said it could cover the shortfall in its emergency funding request through the sales of heavily discounted cars this month.

Barry Riley

France stops the clock as Germany restructures



If France is an economic accident in the making, the Paris stock market refuses to be alarmed. Investors are surprisingly patient. The CAC 40 hit a new high on July 16, along with many of the other European indices. Its response to Monday's tax measures – which reduced corporate earnings by 5 per cent – was muted.

What has set the continental bourses alight has been tha potential for restructuring – and the reality too, with the announcement in Germany, also on Monday, of the merger of two Bavarian banks, Vereinsbank and Hypotheken Bank, to create Germany's second-biggest bank by market value. That triggered a 3 per cent surge in German share prices yesterday.

In France, though, under the Socialists elected in May, privatisations have been postponed, the creation of funded pension schemes has been put on hold and now new taxes have been loaded on to companies. Yet the French equity market is up 24 per cent this year, and 42 per cent over 12 months.

True, this performance has lagged Europe overall. The leading markets such as Germany and the Netherlands are up by about 40 and 60 per cent over the same periods. And in dollars the French index is up only 5 per cent this year, emphasising tha extent to which the continental bourses have been enjoying a devaluation bull market (with further notable D-mark weakness yesterday). Paris poses a *défi français* to international investors, who have been assuming the progressive Americanisation of the global economy, through labour market deregulation, restructuring to release shareholder valua and the comparative advantages of big, global companies.

The leftwards swing of the political pendulum in several parts of Europe (extending possibly to Germany next year) is an awkward phenomenon in this context, however. The UK's New Labour government does not stand to the way of these trends, but the Jospin regime in France – elected, to its own surprise, on a backward-looking manifesto – is another matter.

> Paris poses a *défi français* to international investors, who have been assuming the progressive Americanisation of the global economy

Nevertheless, the markets are in a super-confident mood and investors simply assume that the French government will be forced to fall into line. But its fiscal package has not encouraged that view.

Germany's economic problems mainly arise from the continuing burden of unification, but France's are more fundamentally related to the political attitude of the people. France has an unemployment rate of 12.5 per cent, compared with 5.7 per cent in the UK and under 5 per cent in the US, but there is little sign of micro-economic solutions to the labour market crisis.

Yet the bond market considers the financial risks to be particularly low in France. The 10-year government bond yield is down to 5.4 per cent, tho lowest in the European Union – some 90 basis points less than for US Treasuries and 170 b.p. less than on UK gilts. Bonds are looking no further than the financial fudges required to ensure that Emu happens.

Parts of the corporate sector in France are in tune with the shareholder value ethos. There are attractive plays on individual stocks. But corporate plans that dump a bigger surplus labour problem on to the public purse will be blocked by the Jospin governmant. Meanwhile, more of the cost of maintaining the bloated public sector is being heaped on companies through the "temporary" corporate tax surcharge.

Only 48 per cent of French households include a private sector wage earner, according to Credit Suisse First Boston's French economics weekly. Without a U-turn on private sector job creation France will be unable to survive within the single currency. For the time being the French stock market will continue to underperform. But watch for a rapid catch-up on any signs of labour market reforms.

Interview with Dominique Strauss-Kahn, Page 13
Lex, Page 14

Provisions hurt Thai financial sector

By Ted Bardacke in Bangkok

Leading Thai financial institutions reported disappointing first-half results yesterday amid worries that already high levels of provisioning for bad debts will increase later in the year.

Bangkok Bank, the country's largest bank, reported a 16 per cent fall in first-half net profit to Bt8.63bn ($283m). State-owned Krung Thai Bank said its first-half net profit was down 36 per cent to Bt3.8bn, while Thai Farmers Bank first-half net profit was 19 per cent lower at Bt5bn. Siam Commercial Bank, the fourth-largest bank, reported a 14 per cent fall to Bt3.68bn.

In the finance sector, Finance One, once the country's largest finance company, said it swung to a first-half net loss of Bt5.23bn compared with a profit of Bt850m in the same period last year. At Dhana Siam, first-half net profits fell 82 per cent to Bt131.9m, while Nava Finance & Securities reported a 71 per cent fall to Bt159.8m.

Analysts said the fall in profits stemmed mainly from a rise in provisioning for bad debts. Thai financial institutions usually wait until the fourth quarter, when they can assess full-year performance, to make large provisions. Increasing provisions in the middle of the year meant bankers expect bad-loan problems to get worse, analysts said.

Some analysts suggested that the institutions had increased provisions at this point in the year because investors had already discounted poor 1997 earnings and were unlikely to sell down shares based on profit figures.

The fact that Bangkok Bank – which already has high provisioning levels, relatively few non-performing loans and small exposure to Thailand's collapsing property developers – raised provisions was taken as a sign that manufacturers were also starting to show up on the bad-debt rolls.

Analysts expressed concern that margins, which they said remained healthy in the first half, would fall in the second. The central bank raised the ceiling on interest rates that commercial banks can offer their depositors from 12 per cent to 14 per cent, prompting Bangkok Bank and Thai Farmers to raise their deposit rates by 3 and 2.5 percentage points respectively.

The move came after banks reported they were losing depositors to foreign banks operating in Thailand, which are less bound by interest rate restrictions.

Combined with lower margins, falling loan growth will also depress profits through the year. Even the healthiest banks are reluctant to lend in the unstable environment.

VW China venture in profit

By James Harding in Shanghai

Volkswagen's joint venture with China's First Auto Works, the large state-owned enterprise, has posted its first profits since it was established in 1991, reinforcing the German carmaker's lead in the Chinese market.

The joint venture, which is based in Changchun, north-east China, recorded a 45 per cent increase in production of Jetta saloon cars and a post-tax profit in the first half of 1997, according to the Chinese state news agency.

Volkswagen-FAW declined to detail the profit figures.

The German group controls more than half of China's passenger car market through sales of its Santana model, which is produced in Shanghai in a venture with Shanghai Automotive Industry Corporation.

Approximately 200,000 Santana cars were sold last year – about 52 per cent of total passenger car sales – while the Jetta commanded 6.9 per cent of the market, with sales of 26,400.

The Jetta's market share is forecast to rise to 10 per cent by the end of this year, after sales reached 20,100 cars in the first six months of this year – an increase of 102 per cent compared with the same period in 1996.

The Changchun assembly line has a production capacity of 150,000 cars a year, but it has not been stretched by China's sluggish automotive market.

In the first six months of this year, the Volkswagen-FAW joint venture produced 20,600 Jetta cars.

Car sales in China have stalled over the past three years, held back by the limited purchasing power of Chinese consumers and squeezed further by the government's drive to cool rampant inflation.

Push into retail market lifts Petron

By Justin Marozzi in Manila

Petron, the Philippines' largest oil group, yesterday announced first-half net profits up 13 per cent to 2.25bn pesos ($80m), but analysts warned the company would be hit by the recent depreciation of the peso.

The group said the improved performance came from higher revenues arising from its push into the retail market. Revenues rose 13 per cent to 29.4bn pesos, and market share was "dominant" at more than 40 per cent.

Operating costs fell 7 per cent.

Shares in the group, which is 40 per cent owned by the government, closed unchanged at 6.1 pesos yesterday.

National Power Corporation, the state-owned utility awaiting privatisation, remained the group's main market for fuel oil and diesel, although retail clients were beginning to take over.

As analysts digest the effect of the peso depreciation on the Philippine corporate sector, Petron – which has high levels of unhedged foreign debt – has emerged as one of the groups more exposed to erosion of its bottom line. Its gearing stands at 89 per cent. Ms Alex Connor, analyst at Indosuez W.I. Carr, the stockbroker, said Petron had been borrowing dollars aggressively prior to depreciation and had exploited the attractive interest rate differential by buying pesos and investing in treasury bills.

Non-operating income rose more than 27 per cent, Ms Connor noted. "The company is a big loser on the depreciation," she said, although this would not be felt until the third quarter.

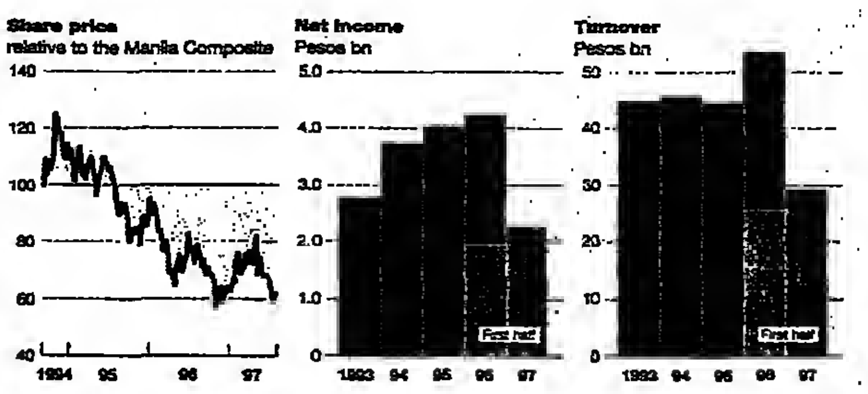
W.I. Carr is forecasting a 4.8 per cent reduction in Petron's profits, assuming a 10 per cent depreciation of the peso.

The group has remained quiet on the prospect of price increases. However, analysts expect Petron to raise prices next month to keep them in line with the benchmark Singapore Posted Prices, and to take advantage of its three to four months of low-cost inventory.

PROFILE

PETRON

Market value	US$2.0bn
Main listing	Manila
Historic P/E	11.3
Gross yield	4.92%
Earnings per share	0.54 pesos
Current share price	6.10 pesos



Source: Reuter; Datastream

Toyota plans to raise domestic market share

By Gwen Robinson in Tokyo

The president of Toyota Motor vowed yesterday to increase the leading carmaker's domestic market share to 40 per cent in the second half of the year, from 38.8 per cent in the first six months.

Mr Hiroshi Okuda said the company "will not fail" to boost sales through increased spending on advertising and dealer incentives, as well as the introduction of two or three new models in the coming months.

The launch of new or improved models in the first half of the year helped lift domestic sales 3.1 per cent from the previous first half, to 1.07m units.

Mr Okuda said the company intended to expand the role of outside auditors. The use of independent auditors is a relatively new development in Japanese corporate culture and has been hastened by the government's "Big Bang" plan for financial deregulation, which calls for a shift to international accounting standards.

Toyota will also curb the long-established practice of using outside directors for some of its affiliated sales and parts companies, Mr Okuda said.

The move comes amid growing debate about corporate governance – in particular, the custom of appointing retired executives and favoured business associates to part-time directorships.

Mr Okuda also revealed plans to move into Russia within the year and begin research on local assembly of vehicles.

Toyota exports about 3,000 finished Corollas and other vehicles to Russia annually. Within one to two years, the company hopes to export most of the parts needed to assemble commercial vehicles in Russia, he added.

Separately, Toyota announced a joint venture to provide real-time in-car information for drivers via digital cellular telephones and electronic car navigation systems.

Toyota Media Station will open its headquarters next week in Nagoya with capital of Y2bn ($17m), of which Toyota will put up 53 per cent. Other participants in the venture include the computer and electronic giants, Fujitsu and Matsushita Electric Industrial, and Toyota group companies such as Denso and Aisin Seiki.

The venture will provide subscribers with on-demand information on traffic, news, weather and the availability of petrol stations, restaurants and parking facilities.

The company, which hopes to provide a 24-hour-a-day service nationally by November, forecasts 1m subscribers by the end of the decade.

NCB to split into three units

By Gillian Tett in Tokyo

Nippon Credit Bank, Japan's smallest long-term credit bank, yesterday announced a restructuring that will split the group into three separate units.

The move, which is unusual among Japanese banks, aims to boost business control and improve management.

It comes as a growing number of Japanese banks are considering ways of reorganising their structures, including the introduction of holding companies, to create a sharper business focus.

NCB is stepping up its efforts to convince investors it has a viable future. In 1996 the bank recorded a Y350.16bn ($3bn) fiscal loss, partly because of the write-off of bad loans incurred after the collapse of the 1980s property bubble.

The bank unveiled a Y291bn recapitalisation in April, which involved other private-sector banks purchasing Y70bn of shares and life and non-life groups purchasing Y97bn worth of shares.

The plan initially met with industry resistance. However, NCB yesterday said the banks and life assurance groups had agreed to take part in the scheme, which is likely to be completed by the end of this month.

One of the new units, "New NCB", will focus on providing securitisation and other banking businesses for small and medium-sized companies. "What we want to target is the smaller businesses which may not have a main bank," the bank said.

Another unit, "Project NCB", will handle the property side of NCB's business. A third, "Market NCB", will focus on asset management and risk management and trading.

ASIA-PACIFIC NEWS DIGEST

Bank dismisses Ssangyong talk

The main creditor bank of Ssangyong Motor yesterday denied it would place South Korea's fourth-largest car company under bankruptcy protection because of mounting losses.

Ssangyong blamed the rumours – which caused the Seoul bourse to fall 2 per cent yesterday to 725.98 points – on investors and traders who were seeking to drive down the share prices of Ssangyong companies in order to buy them cheaply. The share prices of most listed Ssangyong subsidiaries, including its main oil refining and cement businesses, fell by their daily limit yesterday. The Seoul stock market has been jittery since leading banks last week rescued the Kia group, Korea's third-largest carmaker, from near-bankruptcy.

Ssangyong Motor has been a cause of concern among investors because of its total losses since 1992 of Won500bn ($558m) and debts of more than Won3,000bn. Cho Hung Bank, the biggest lender to Ssangyong Motor, said the company's losses "aren't serious enough to force it to go insolvent at this time. There is no possibility of the company going bankrupt in the near term." Ssangyong group finances are considered stronger than those of Kia.

Ssangyong Motor has been mentioned as a possible takeover target for the Samsung group, which plans to begin car production next year. Ssangyong has denied any intention of selling the car company.

John Burton, Seoul

■ BAKUN DAM PROJECT

Malaysia PM aims to reassure

Dr Mahathir Mohamad, Malaysia's prime minister, yesterday sought to allay concern over the M$13.6bn (US$5.2bn) Bakun dam project. Doubts over the project, which is one of Malaysia's biggest infrastructure undertakings, were reinforced by recent remarks from Mr Anwar Ibrahim, the deputy prime minister, that crucial differences existed between the lead contractors and the Malaysian managers of the dam.

The dam's lead contractor is ABB, the Swiss-Swedish engineering group. Ekran, the Malaysian company managing the project, has demanded that the contract with ABB should be renegotiated, industry sources said. Dr Mahathir said: "Of course, some people may not be happy. Some people, perhaps, have personal views about certain things. But we will overcome these."

James Kynge, Kuala Lumpur

■ AUSTRALIA

Preferred bidder named for AIDC

A US-Swiss financial consortium has emerged as the frontrunner to buy the Australian Industry Development Corporation, the Australian government's investment banking arm.

Babcock and Brown, the US financier, and Union Bank of Switzerland, were yesterday named as preferred bidders for the AIDC by Australia's finance minister, Mr John Fahey. Mr Fahey said the companies had been granted an exclusive period to complete due diligence and contract for the purchase, which he expected to be finalised by the end of August. No price was mentioned in yesterday's statement, but analysts have suggested a range between A$200m and A$400m (US$148m-$296m).

Bruce Jacques, Sydney.

■ LIQUOR

Jinro plans Won500bn asset sales

Jinro, South Korea's largest liquor group, yesterday said it planned to raise an extra Won500bn ($558m) by the end of July through asset sales as it sought to persuade banks to extend bankruptcy protection for a further two months.

Jinro was the first beneficiary of a recent bankruptcy prevention agreement among Korean banks to avoid big corporate collapses resulting from an economic downturn. Protection has also been applied to the Kia car and Dainong retail groups. Bankruptcy protection for Jinro is due to expire by the end of this month, but Jinro has raised only Won400bn through sales of its Jinro Engineering and Jinro Hi-Living units to pay off debts of Won2,600bn to the banks. Jinro said it needed more time to raise capital to service its debts as it sought to sell 12 of its 18 subsidiaries, which it estimated would result in gains of Won1,400bn.

John Burton

Car sales help Volvo advance midway

By Greg McIvor in Stockholm

First-half profits at Volvo rose sharply as the Swedish car and truck maker offset continued losses at its troubled North American trucks subsidiary with strong sales growth in its flagship cars division.

Pre-tax profits advanced from SKr3.9bn to SKr7.9bn ($1.01bn), including a SKr3.8bn one-off gain from non-core asset sales. Operating profits rose from SKr2.3bn to SKr3.9bn.

The figures were slightly above market expectations, helping to move Volvo's most-traded B shares up SKr8.50 to SKr213.

Earnings benefited from favourable exchange rates. This was most pronounced in the cars division, with a positive currency effect on operating profits of SKr400m-SKr500m in the second quarter against the first quarter. However, Volvo said this gain was offset by higher research and development costs as well as by higher sales costs.

Net sales rose 14 per cent, from SKr78.1bn to SKr89bn, or 8 per cent excluding currency shifts. Sales of trucks rose 2 per cent, while car sales grew by 21 per cent.

Mr Leif Johansson, the former Electrolux chief executive who took over at Volvo in April, said underlying trends, particularly in the cars unit, were healthy.

But be stressed the 4.4 per cent group operating margin was below Volvo's long-term target range of 5-7 per cent and said he was seeking productivity improvements from cost cutting, especially in sourcing and purchasing.

The overall market for passenger cars declined slightly compared with the previous year, mainly because of a 4 per cent contraction in North America. Even so, the cars division raised operating profits from SKr187m to SKr2.2bn. Volvo ascribed this to strong sales of the S40/V40 mid-range model introduced last year. Sales of the rebadged S70/V70 range also progressed.

Volvo sold 196,250 cars in the first six months, a 12 per cent increase. However, operating profits were virtually flat in the second quarter against the first quarter.

Mr Graham Phillips, automotive analyst at HSBC James Capel in London, said this was disappointing in the light of the strong currency advantage during the second three months. But he said investors would have been cheered by the fact that Volvo's North American truck deliveries had held firm despite weak market conditions.

The North American trucks subsidiary incurred a loss for the fifth successive quarter, dragging down operating profits in the trucks division from SKr1.1bn to SKr688m. Turnover was SKr23.5bn, against SKr23.1bn.

Hard drive to market for Olivetti PC

After a long and often tortuous gestation, it seems that Olivetti Personal Computers, the Italian PC manufacturer spun off by the Olivetti group, is finally free to get on with the business of designing, building and selling PCs.

Even so, Mr Bernhard Auer, chief executive, admits he will still need to reassure suppliers, resellers and customers – particularly those in Italy – about the long-term viability of the company following the sudden resignation last week of Mr Alessandro Barberis, group chief executive of Piedmont International, OPC's parent bolding company.

The former Digital Equipment executive says that despite the turbulence of the last nine months, when many were ready to write off Olivetti's PC business, the company bas a strong order book and is ready to do battle to regain its European market share. "I am confident we will survive," he says.

Nevertheless, Mr Barberis' decision to resign, after finally securing the initial funding needed to ensure the survival of the Olivetti computer brand name, is a setback. He is understood to have been frustrated by the months it took to put the funding in place.

Olivetti spun off its loss-making PC business off in February to Piedmont, a holding company set up by Mr Edward Gottesman, the London-based financier. The spin-off came 18 months after the Italian conglomerate put the operations up for sale.

But it was not until two weeks ago that a long-promised funding package materialised. It comprises equity capital provided by Mr Gottesman's Century private investment group and by Olivetti Group, which retains a 12 per cent stake in OPC, and a loan facility provided by Merrill Lynch.

The plan had been for Century and Olivetti together to provide a total of $40m – half of the planned $80m in equity – and for Merrill Lynch to provide a $100m secured loan. However, Merrill baulked when several prospective Italian investors pulled out of the financing at the last minute. As a result, Mr Gottesman was forced to increase the initial equity contribution to $65m while the loan facility was cut to $75m.


Bernhard Aner: OPC 'the best-kept secret in Europe'

"After three-and-a-half months we really needed to have the finances done," said Mr Barberis shortly before he resigned. The delays had resulted in a cash crunch at the group. "One positive side effect of the cashless time is that people are mucb more aware of the oeed to conserve cash and keep inventories to a minimum," says Mr Auer, who was brought in by the Olivetti group 18 months ago to spearhead the revival of the PC business, once a leader in Europe.

Under Mr Aner, OPC's costs have been brought under control and the product portfolio has been pruned. This has involved jettisoning loss-making lines to focus on higher-margin products such as corporate PC servers – powerful PCs which manage groups of desktop PCs – and portable "notebook" PCs.

Following a strategic master plan commissioned by Mr Gottesman and completed by Booz Allen & Hamilton, the management consultants, Olivetti's expensive direct sales force has been replaced by a network of 40 distributors in most of the main European markets. Partly as a result, the workforce has been cut from 3,000 to about 1,500.

At the same time, OPC management – strengthened this week with the appointment of Mr Marc Lütolf as finance director – has begun to address other weaknesses. More than 100 multilingual service operators have been added to the service and support operations, and OPCs's geographic sales base has been broadened. The group's reliance on Olivetti Systems and Services (Olsy), which still accounts for 50 per cent of sales, has also been reduced.

Although Italy still accounts for 30 per cent of sales volume, more than 60 per cent of OPC's sales last year were in other European countries.

Nevertheless, OPC managers acknowledge they face a difficult battle to build European market share and repair credibility.

OPC's machines have begun winning independent product tests, but Mr Auer says the company's products "are the best-kept secret in Europe".

Now, with the financing completed, OPC's chief executive is hoping that the Italian rumour mill will shut down and that the rejuvenated company will be able to focus on its core business.

Paul Taylor

Shamrock sells 10% holding in Koor

By Avi Machlis in Tel Aviv and Judy Dempsey in Jerusalem

Mr Stanley Gold, president of Shamrock Holdings of the US, yesterday agreed to sell a 10 per cent stake in Koor, Israel's largest industrial conglomerate, to the Claridge Group, controlled by the Charles Bronfman family of Canada.

Claridge, an investment fund with extensive interests in Israel, has an option to buy Shamrock's remaining 10 per cent stake within 90 days.

Claridge will pay $187m, or $24.25 per American Depository Receipt, and $121.25 per share. It will pay the same price for the remaining 10 per cent.

The deal, which took analysts by surprise, follows Mr Gold's criticism of Koor's poor market performance. Earlier this month he proposed spinning off three of Koor's snbsidiaries, but could not muster the support needed from Bank Hapoalim, Israel's largest bank, which holds 22.7 per cent of the company.

Mr Jonathan Kolber, president of Claridge Israel, said yesterday's deal meant he would withdraw from the Arisoo Group, which is bidding for a stake in Hapoalim, due to be privatised this year.

Mr Gold's decision to sell ends his two-year involvement with Koor in which he bought a 22 per cent stake for $256m and was appointed chairman. That purchase was heavily leveraged, with Bank Hapoalim lending Shamrock more than $100m. Mr Gold said yesterday he had made a net gain of $120m on the Koor sale.

Mr Gold's spin-off proposals have driven Koor's share price up on the Tel Aviv exchange. In early July, when he first mooted the idea, the shares hovered at Shk316.55. Yesterday they closed at Shk428, a rise of 25 per cent. Over the same period, the Mishtanim index rose 20 per cent.

"[Mr] Gold sold Koor at a tidy premium of about 10 per cent," said Mr Gad Haker, analyst at Ilanot-Batucha Investments. "He did a very good deal."

It is unclear what Claridge will do with its Koor holding. Mr Kolber said Koor had "a lot of potential. It has been developing. It has some very good assets."

Koor last year posted net income of $180.8m on sales of $3.5bn. Mr Benjamin Gaon, chief executive, recently said his aim was sales of $5bn by the end of the decade through acquisitions and mergers.

DSM pays $495m for Veba Oel unit

By Barbara Smit in Amsterdam and Graham Bowley in Frankfurt

DSM, the Dutch chemicals group, yesterday agreed a Fl 1bn ($494m) deal to buy and expand Vestolen, a unit of the German oil refiner Veba Oel, which is part of the Veba industrial group.

It said the acquisition would strengthen its position as a leading polyolefins producer. DSM already ranks as Europe's fifth-largest producer of polyolefins – the top-selling plastics polyethylene and polypropylene, which are used in packaging, textile fibres and plastic car parts.

Its latest investment should enlarge its European market share to about 12 per cent in the next 10 years.

The purchase of Vestolen's site in Gelsenkirchen and the construction of two more plants in Germany should increase DSM's annual polyolefins production to more than 2.5m tonnes by 2001, the Dutch group said. This compares with the 1.52m tonnes turned out by its plant in Geleen, in the Netherlands.

Veba Oel said the sale of its non-core polyolefin business enabled it to step up production in its core activities – the production of ethylene and propylene, which it will supply to the new DSM plant under a long term deal. Ethylene and propylene products are used in the production of polyolefins.

"For us this will be a big business. And the long-term contract will free us of short-run cycles," said Veba Oel.

Mr Quirijn Mulder, analyst at ING Barings, said: "This is one of the best fits that DSM could have found to expand in polyolefins. But their weak point is that they still have to buy raw materials, unlike competitors in the refinery business."

Mr Simon de Bree, DSM chairman, said the company hsd opted for a "buy and build" approach because Geleen would not have enough capacity to cope with demand. Polyethylene demand in western Europe is expected to grow from 9.5m tonnes to 13m tonnes by 2010, while the polypropylene market should swell from 5.4m to 9m tonnes.

PolyGram dragged lower by film unit

By Barbara Smit in Amsterdam

Strong album sales by rock veterans U2 and teenage neophytes Hanson failed to lift first-half profits at PolyGram, the world's largest music company, which is still grappling with losses in its film unit.

PolyGram yesterday reported a 5.1 per cent increase in first-half sales to Fl 4.5bn ($2.2bn) but net income slipped from Fl 272m to Fl 270m.

While music sales grew 9 per cent, the film division's revennes fell 14 per cent and its losses reached Fl 92m, against a loss of Fl 37m in last year's first half.

Analysts had anticipated a strong performance in music, helped by sales of 5m copies of U2's *Pop* as well as 3m copies of Hanson's debut album.

However, Mr Alain Lévy, PolyGram chairman, said the group's film performance had been "relatively weak" in the first half of this year. In the same period last year it had benefited from the success of *Dead Man Walking* and *Fargo*.

PolyGram has invested an estimated $820m in its filmed entertainment division, formed five-years ago, but the group said the real test would come later this year, when the company starts distributing its own mainstream movies in the US instead of selling the rights to other groups.

The Game, starring Michael Douglas and Sean Penn, is scheduled to hit the screens through the US subsidiary, PolyGram Films, in September.

The company said the film unit should break even by the end of next year, and it should contribute up to 25 per cent of total revenues by the turn of the century.

Mr Arjen Dibbets, analyst at MeesPierson, said: "The film losses were slightly higher than expected but not really shocking. So far, PolyGram has created a nice film business and its good reputation among artists should help in the next phase."

PolyGram, managed from London, is a 75 per cent-owned subsidiary of Philips, the Dutch electronics group.

PolyGram shares closed slightly higher in Amsterdam at Fl 101.90, while upbeat expectations about the quarterly results to be published by Philips tomorrow pushed its shares up more sharply, from Fl 148 to Fl 152.70.

BCH follows competitors in stock split

By Tom Burns in Madrid

Banco Central Hispano, the once-troubled Spanish banking group, has followed the lead of its domestic competitors by announcing a stock split.

Its plans to halve the nominal value of its shares to attract small investors came as it underlined a sustained recovery with half-year results that were ahead of forecasts.

BCH shares have strongly outperformed the market since the beginning of the year, climbing 107 per cent since June last year.

BCH will ask shareholders at an extraordinary general meeting on September 18 to authorise a two-for-one stock split through a reduction in the nominal value of the shares from Pta500 to Pta250. The split will be implemented only if the share price maintains its current trading value of Pta6,000.

Banco Santander, Banco Bilbao Vizcaya and Banco Popular have all responded to the sustained bull run on Madrid's Bolsa by reducing their nominal share price since the beginning of this year. The aim is to encourage small domestic savers to buy their stock.

BCH lifted net attributable profit by 22.6 per cent to Pta25bn ($165m) against the same period last year and says it is on track to raise the full-year result above the Pta43bn target it had set itself.

The improved earnings came from the group's core banking business. Aggressive marketing offset margins squeezed by falling interest rates and allowed BCH to increase net interest income by 12.6 per cent to Pta145.5bn. Operating profit was up 38.1 per cent at Pta69.3bn.

The decision by BCH to split its shares suggests that its earnings potential is converging with that of rival and more profitable banks in the domestic sector. At the end of 1994, tumbling profits forced it to cut its dividend by 40 per cent.

The strength of BCH's balance sheet was underlined by a 3.4 per cent ratio of non-performing loans to assets, below the sector's average and 2 points down on 12 months ago.

EUROPEAN NEWS DIGEST

BASF potash sale blocked

BASF, the German chemicals group, has been blocked from selling a controlling stake in its German potash mining interests to Potash Corporation of Saskatchewan, the world's biggest integrated fertilisers group.

Mr Günter Rexrodt, German economics minister, yesterday upheld an earlier ruling by the federal cartel office in Berlin forbidding the planned sale of 51 per cent of Kali und Salz to PCS. The office had ruled that the sale would lead to a "considerable limitation of competition" on the German market for potash fertilisers.

BASF can challenge Mr Rexrodt's decision in the courts, although this would be unprecedented. The group said yesterday it would begin looking for a new buyer. Its withdrawal from potash mining is part of an ambitious refocusing on its core chemicals and pharmaceuticals operations. PCS said yesterday it regretted Mr Rexrodt's action.

The minister said the sale would have left Kali und Salz, which already controls 80 per cent of the German market for potash, with "no effective competition". Mr Gerhard Wolf, BASF board member responsible for Kali und Salz, said the decision was a heavy blow to the German potash industry.

Peter Norman, Bonn

■ SOFTWARE

Dassault Systemès ahead 54%

Dassault Systèmes, the French provider of design and manufacturing software, yesterday announced net profits of FFr77.5m ($12.8m) for the second quarter, a 54 per cent rise from the same period a year earlier. Sales were up 30 per cent at FFr379.1m. Financial revenues were down to FFr14.6m, from FFr33.3m, mainly due to smaller net gains from currency flnctuations.

The company, which is 38 per cent owned by Dassault Aviation, the aircraft manufacturer, attributed the rise to "all-round excellent performance". Mr Charles Edelstenne, chairman and chief executive, said releases of new products had received a "favourable response from customers".

For the six months to the end of June, total sales were FFr802.1m and net profits FFr193.8m, up from FFr621.8m and FFr136.8m, respectively, in the first half of 1996.

The company warned it was likely to suffer from the French government's recent decision to increase corporate taxes.

Samer Iskandar, Paris

■ STEEL

Two shortlisted for CSI

The Spanish government has narrowed the contenders to control CSI Corporación Siderúrgica, the chief domestic steel producer, down to Usinor of France and Arbed of Luxembourg. However, it wants both companies to fine-tune their bids before it makes a decision on the sale. The State Industrial Agency (AIE) said it had excluded rival offers from Italy's Riva-Ilva group and US Steel, but that the two remaining bidders had failed to satisfy all the conditions it had laid down for the purchase of 35 per cent of CSI. It gave Usinor and Arbed until July 28 to improve their proposals.

CSI, which had net earnings of Pta15.6bn ($103m) last year on sales of Pta306bn, is the last big steelmaker in the European Union that is still in state ownership. Once AIE decides on CSI's main partner, it will place 10-15 per cent of the company's shares with domestic industrial interests and float the remainder on the stock market.

Tom Burns, Madrid

■ BANKING

Portugal's BES beats forecasts

Banco Espirito Santo, Portugal's fourth-largest bank, lifted first-half net consolidated profit 42.9 per cent, from Es10.6bn in the same period last year to Es15.2bn ($83.8m) – more than Es1bn above analysts' forecasts.

Mr Ricardo Espirito Santo Salgado, BES president, said yesterday the group's strategy of organic growth had enabled it to double total assets over the past three years and increase market share. Net assets rose to Es3,846bn in the first half, up 25.9 per cent on the same period in 1996.

Analysts consider BES to be the only Portuguese bank with the capital and managerial resources to make an important acquisition. It strengthened its capital adequacy last month by issuing Es74bn in subordinated debt.

Peter Wise, Lisbon

■ GENCOR

Four vie for chief executive post

Four people will battle to become chief executive of Gencor, the South Africa based gold and platinum producer demerged from the Billiton base metals business, which is about to float on the London Stock Exchange.

The contenders include Mr Tom Dale, who heads Gencor's South African gold business; Mr Mick McMahon, chairman of Impala Platinum; and Mr Gary Maude, who is responsible for the international gold operations. The fourth candidate will be Gencor's new finance director, who has yet tn be appointed.

Announcing his candidacy yesterday, Mr Dale said the board would consider splitting off the Impala platinum business, in which Gencor has a 46 per cent bolding, if it became clear shareholders would benefit from Gencor being a "pure" gold, rather than a precious metals group. It was also likely that the structure of the South African gold business would be changed.

Kenneth Gooding, Mining Correspondent

■ BULGARIA

Bank privatisation completed

Bulgaria yesterday completed the first privatisation of a state-owned bank by transferring 65 per cent of United Bulgarian Bank to Oppenheimer, the US securities house, and the European Bank for Reconstruction and Development. The conclusion of the much-delayed deal was a condition set by the International Monetary Fund for Bulgaria to receive the next $140m tranche of a $650m stand-by loan approved earlier this year.

Oppenheimer acquired 30 per cent of United Bulgarian on behalf of its emerging markets funds, while the EBRD took 35 per cent. The remaining 35 per cent went to Bulbank, the biggest state-owned Bulgarian bank which is due to be privatised next year. The three will participate later this year in a $30m rights issue to raise United's equity base to $42m, in line with international capital adequacy standards. The bank's management is also being restructured, banking officials said.

Theodor Troev, Sofia and Kerin Hope, Athens

■ CZECH REPUBLIC

EBRD takes Korado stake

The European Bank for Reconstruction and Development is taking a 44.3 per cent stake in Korado, a Czech maker of heating radiators which has become one of the biggest companies of its kind in central Europe. The EBRD said yesterday it was paying Kč1.1bn ($32m) for the stake, which is in the form of new equity.

Korado is seeking to quadruple output in the next few years, and the EBRD financing will allow it to buy technology for a new plant. The company makes 750,000 radiators a year, up from 20,000 at the time of its privatisation in 1991. The surge is attributed mainly to soaring demand for radiators because of housing reconstruction in post-communist central Europe.

Vincent Boland

CIBC to buy Oppenheimer for $525m

By Tracy Corrigan in New York

CIBC Wood Gundy, the investment banking arm of Canada's second largest bank, has agreed to buy Oppenheimer, the second largest privately-held securities firm in the US, for a total of US$525m.

The deal is the latest in a spate of acquisitions of US securities firms by commercial banks, following the loosening of rules governing such ownership.

"The rationale for the combination is that we have firms of complementary capabilities," said Mr Michael Rulle, chairman and chief executive officer of CIBC Wood Gundy. CIBC was strong in credit products, while Oppenheimer specialised in equity trading and sales. Mr Rulle added that the *new firm* would have a strong platform to develop its mergers and acquisitions business.

Mr Rulle will become chairman and chief executive officer of the newly formed CIBC Oppenheimer, and will continue as bead of the banking business in the US region.

Mr Stephen Robert, chairman and co-chief executive of Oppenheimer, and Mr Nathan Gantcher, president and co-chief executive of Oppenheimer, will become vice-chairmen of the new company.

The acquisition price consists of $350m cash at closing, expected by the end of the year, and $175m in a *retention pool to be paid* over three years to about 40 executives.

Oppenheimer has a book value of $337m, according to CIBC, which makes the total price paid – less than two times book – look modest compared with a number of other recent deals.

Swiss Bank Corporation paid three times book for Dillon Read, and Bank of America paid five times book for Robertson Stephens, the San-Francisco-based investment bank.

Commenting on the potential clash between a commercial and an investment banking culture, Mr John Hunkin, president of CIBC Wood Gundy, said that CIBC already had a "strong investment banking, solutions-oriented culture" which should fit well with Oppenheimer.

CIBC acquired Wood Gundy, the Canadian securities firm, 10 years ago, and has built up its capital markets business, concentrating on bonds rather than stocks, in Europe and Asia, as well as the US. In the past few years it has hired a number of teams from US investment banks.

For example, it lured a team of derivatives specialists from Lehman Brothers.

Mr Rulle said that the bank's main strategy was to gain a strong position in the North American securities market.

Oppenheimer Holdings, which owns 100 per cent of Oppenheimer & Co, will be acquired by Canadian Imperial Bank of Commerce's US broker/dealer, CIBC Wood Gundy Securities. Oppenheimer had net revenues of almost $780m in the year ended April 30.

Once the transaction has been completed, CIBC Wood Gundy will have 8,000 employees globally and annual revenues of $3.5bn.

PepsiCo recovery ahead of forecast

By John Authers in New York

PepsiCo's shares enjoyed a 6.7 per cent rally on Wall Street yesterday morning, as the US soft drinks and snacks group announced a recovery in profits during the second quarter which continued to run ahead of analysts' expectations.

The results were achieved in spite of "highly competitive" conditions in the company's core soft drinks market, PepsiCo said.

In North America, the first quarter was poor for the industry as a whole, due to unusually cold weather.

They also reflect PepsiCo's new policy of asset disposals to areas where it is not competitive, and the preparations for spinning off its restaurant division, which includes KFC, Pizza Hut and Taco Bell, this year.

Earnings per share rose to 40 cents (42 cents after unusual items), up from 36 cents in the second quarter of last year and comfortably ahead of analysts' consensus prediction of 37 cents a share.

This was equivalent to a rise of 21 per cent in operating profit, compared with the equivalent quarter of 1996.

Several unusual events made comparisons with previous periods difficult. *PepsiCo is making a gain of* $500m on the $830m sale of PFS, its restaurant distribution company.

The company opted to offset several charges against this. These included a $247m charge for disposal of assets across its beverages, snack foods and restaurants divisions; $36m spent on strengthening the structure of its international bottlers; and $82m on productivity initiatives in its snacks division.

Excluding these items, operating profits showed a much smaller improvement of 7.4 per cent, from $986m last year to $1.059bn.

The company further benefited from refranchising gains of $137m, far better than last year's $42m.

The restaurant division also took a charge of $25m to cover the cost of closing stores, and a impairment charges of $39m – both considerably higher than in the second quarter of the previous year.

Creative division lifts Disney income 18%

By Christopher Parkes in Los Angeles

Walt Disney shares rose 2 *per cent in early trading* yesterday after the bellwether of the US entertainment industry reported third-quarter net income up 18 per cent and forecast-beating earnings per share of 69 cents.

The group credited its creative content divisions and theme parks as the main drivers of the progress, which came in spite of sluggish overall revenue growth of only 2 per cent to $5.2bn.

Net income was $473m compared with $401m, while the earnings per share result was a 19 per cent advance over last time, and 2 cents ahead of analysts' predictions.

"I am particularly pleased with the performance of our creative content segment, which is benefiting from improved live action films and the successful release of *Hercules*," said Mr Michael *Eisner, group chairman.*

Disney has been over-shadowed in most US cinemas this season by hit films from the resurgent Sony, and this year's animated feature starring Herculee is lagging behind recent Disney hits in this genre.

But the group is putting up a stronger showing in overseas markets.

Profits from creative content, which includes films, TV programming and retailing, rose 17 per cent in the quarter in spite of a 4 per cent dip in revenues.

Prospects for the year were given a boost last weekend by the surprisingly strong US opening of *George of the Jungle*, a live-action film which sold $16.5m-worth of tickets in its first three days.

Theme parks and resorts, still benefiting from the 25th *anniversary* promotions at Florida's Walt Disney World, and new night-time attractions at the Anaheim, California, Disneyland, returned 11 per cent higher profits in the quarter.

The sports business has emerged as one of the most profitable assets won in last year's acquisition of Capital Cities/ABC.

Although the ABC network is still trailing in the ratings and appears hampered by Mr Eisner's management shuffles, overall broadcast revenues rose 5 per cent in the quarter to $1.6bn, and operating income improved 7 per cent to $337m. Net income for the first nine months rose 58 per cent to $1.56bn.

Hades, god of the underworld, in the Disney film Hercules

Better margins lift US drugs groups

By Tracy Corrigan in New York

A spate of second-quarter earnings from US pharmaceutical companies yesterday showed that most are still increasing their earnings faster than they are increasing their sales, due to improving margins.

The better margins are largely due to the introduction of highly profitable new products, *according* to *analysts*, as well as cost-cutting. "Despite rising prosperity, they are continuing to reduce expenses," said Mr Hemant Shah, an analyst at HKS, a pharmaceuticals research company.

However, most companies are still managing to increase spending on research and development, marketing and sales. For example, many companies are increasing their budgets for direct-to-consumer advertising of consumer products.

After cutting back their US sales forces a few years ago, many pharmaceuticals companies have been recruiting aggressively. The advent of managed-care companies, which administer healthcare for many American patients, was expected to reduce the need for large sales forces, but such expectations have proved to be misplaced.

US pharmaceuticals

	Earnings per share 2Q 1997 $	% chg*	Net sales 2Q 1997 $ bn	% chg*
American Home Products	0.71	+15	3.6	+5
Bristol-Myers Squibb	0.75	+14	4.1	+10
Schering-Plough	0.51	+19	1.72	+16
Warner Lambert	0.85	+8	1.97	+10

* % increase on 2Q 1996. Source: companies

Among the companies helped by recent product launches, *Warner-Lambert* managed to beat analysts' estimates by 4 cents yesterday due largely to the strong performance of two new drugs, cholesterol-lowering Lipitor and Rezulin for diabetes, which have gained a foothold in the market more rapidly than expected.

Lipitor, launched in February, has gained market share more rapidly than expected. It now holds the second largest market share, at 24 per cent, in the competitive, but growing, market for cholesterol-lowering drugs. Lipitor achieved worldwide sales of $151m in the quarter.

"Lipitor and Rezulin [an anti-diabetes drug] are on track to become two of the most successful new product introductions in the history of the pharmaceutical industry," said *Mr Melvin Goodes*, Warner-Lambert chairman and chief executive officer. "We look forward to a rapid acceleration in earnings growth in the third quarter. Warner-Lambert's share price was unchanged at $139¼ in early trading.

Bristol-Myers Squibb shares slipped $2⅞ to $81⅞ yesterday because of a weaker than expected growth in its cholesterol-lowering drug, Pravachol, its largest selling product, analysts said. Sales grew 21 per cent to $307m in the quarter.

Schering-Plough also benefited from the strength of Claritin, its recently introduced antihistamine, but analysts said that because of the diversification of its portfolio it was less reliant on one or two strong perfor*mances than other compa*nies in the sector.

However, analysts were less happy about the tale told by American Home Products. "Their major story has been cost cutting," said Mr Shah, who said the company still had to show that it could produce strong earnings growth, once the cost cuts have gone through.

Double boost for US tobacco groups

By Richard Waters in New York

Shares in Philip Morris and RJR Nabisco, the US tobacco and food groups, jumped yesterday on renewed hopes of White House support for a national settlement of tobacco litigation and double-digit earnings gains from both companies.

Philip Morris shares rose $2⅛, or 5.5 per cent, to $42¾, while RJR's stock was up $1⅜, or 4.4 per cent, at $31⅛.

The domestic US tobacco market has continued to underpin the finances of both companies, as evidenced by second-quarter results released yesterday.

Philip Morris reported operating earnings from its domestic tobacco business of $1.2bn, up nearly 12 per cent from a year before and equivalent to an operating profit margin of 34 per cent.

That was more than double the 16 per cent profit margin on international tobacco operations, where earnings rose 15 per cent to $1.1bn. The strong domestic performance reflected further volume growth and a shift to premium brands.

Philip Morris put its US market share of cigarette sales at 49.5 per cent, up 2.5 percentage points from a *year before and a record for* the company. Marlboro accounted for nearly 35 per cent of the market, 3 points higher than a year before.

RJR produced operating earnings of $395m from US tobacco, up only 1 per cent in spite of a 4 per cent increase in revenues. The operating profit margin of 32 per cent compared with a margin of 20 per cent on international tobacco sales, where earnings rose 3 per cent to $179m.

Overall, Philip Morris' net income rose 13 per cent in the second quarter, to $1.8bn, on sales up 5.9 per cent (excluding the impact of a disposal) at $18.4bn. With the number of shares in issue falling, earnings per share rose at a faster 15 per cent, to 76 cents.

RJR reported net income of $235m, or 71 cents a share, on sales of $4.3bn, compared with a loss of $34m, or 10 cents a *share, on sales of* $4.2bn a year before, due to a restructuring charge.

Ticket tax holds back US airlines

By John Authers in New York

US airlines reported healthy results for the second quarter yesterday, although profits were dented by the reinstatement of a 10 per cent ticket tax on US internal flights.

UAL, holding company for United Air Lines and the world's largest air carrier, saw earnings rise 11.6 per cent over the year, to $376m, on a fully distributed basis.

This translated into earnings of $2.82 a share, a record quarterly figure, well ahead of analysts' estimates of $2.70.

The company attributed its performance to effective cost control, with unit costs rising only 0.3 per cent, helped by lower fuel prices. Revenues per passenger in the period were also at a record high.

US passenger revenue fell 1 per cent from last year, mainly as a result of the ticket tax, but Latin American revenue grew 16 per cent. There was a 6 per cent increase in revenues from Atlantic flights.

The company alao announced a new marketing agreement with SkyWest Airlines to offer flights from Los Angeles International Airport under the name of United Express.

Northwest Airlines, a rival operator, reported net income of $136.2m, down from $302.8m in the equivalent quarter of 1996. Earnings per share were $1.15, compared with $1.72, but still ahead of analysts' expectations of $1.08.

Mr John Dasburg, chief executive, said the decline was almost entirely due to the ticket tax, which he estimated had knocked $80m off profits.

He added that the company's Pacific business had been weak, due to the weaker Japanese yen. This was partially offset by healthy revenues from cargo flights.

Unit costs were flat, up 0.2 per cent from 1997, due to increases in maintenance, wages and benefits.

In early trading, UAL shares gained strongly, up $1⅞ at $77¹³⁄₁₆, while Northwest fell slightly, off $1/16 at $35¹³⁄₁₆.

AMERICAS NEWS DIGEST

Wall St cool as IBM rises

International Business Machines shares fell $3⅛, or 3 per cent, to $100⅛ at mid-session yesterday in spite of higher than expected second-quarter earnings, boosted by a drop in the computer company's tax rate. Although net income exceeded analysts' forecasts, investors were disappointed by revenue growth and almost flat pre-tax earnings.

Net earnings for the quarter ended June 30 were $1.4bn, or $1.46 a share, compared with $1.3bn, or $1.26, in the same period last year. Wall Street analysts had forecast about $1.42. Revenues for the quarter were $18.9bn, an increase of 4 per cent from $18.2bn a year ago. Measured in constant currency, revenue growth for the quarter was 8 per cent. *However, IBM lowered* its overall tax rate from 38.1 per cent a year ago to 33.7 per cent. The drop, achieved partly by shifting manufacturing operations to countries with lower taxes, added approximately 10 cents a share to net income. *Louise Kehoe, San Francisco*

■ OIL RESULTS

Texaco falls 18%

Lower refining margins in its west coast plants and weaker oil prices cut unadjusted profits at Texaco by 18 per cent to $571m in the second quarter, but the energy group still managed to top analysts' forecasts by a wide margin. Net income, before one-time gains in both periods, was $440m compared with $465, and translated into $1.64 a share, against $1.73 last time. Forecasts were $1.53.

Revenues, at $11.5bn compared with $11.3bn, reflected lower oil and natural gas prices and the effect of over-supply on margins at the petrol pump. US refining, marketing and distribution divisions – soon to be pooled in a cost-saving joint venture with Shell Oil and Star, the Saudi Aramco brand – recorded a 40 per cent drop in operating profits before special items.

● Amoco said its higher second-quarter net income of $622m, against $600m for the year earlier, reflected stronger refining margins and increased volumes in petroleum products and most chemical lines. Lower worldwide crude oil prices and lower North American crude oil and natural gas production partially offset those gains and pulled revenues down to $8.6bn, compared with $8.8bn in the 1996 second quarter. *Christopher Parkes, Los Angeles*

■ OIL TAKEOVERS

UPR urges Pennzoil to sell

Oil producer Union Pacific Resources yesterday claimed "overwhelming" stockholder *support for its $6.4bn bid for* Pennzoil. The company said shareholders representing 61.5 per cent of outstanding Pennzoil stock had tendered to accept its $84-a-share cash offer in the two-part bid. UPR, which has launched lawsuits in an attempt to breach its target's anti-takeover defences, said: "We urge Pennzoil's board to listen to its shareholders and do the right thing by directing management to negotiate a combination with UPR." *Christopher Parkes*

■ TELECOMMUNICATIONS

Nortel beats expectations

Northern Telecom, the Toronto-based telecommunications equipment supplier, reported higher than expected second-quarter earnings, in spite od US$85m in pre-tax write-downs and restructuring charges. Nortel was buoyed by strong orders from US phone companies, which more than offset faltering public switch sales in China. Mr John Roth, chief operating officer and chief executive-designate, said "the whole China market is pulling back a little bit" as *public spending priorities shift from telecoms to* energy and agriculture. Net earnings climbed from $106m, or 42 cents a year earlier, to $165m, or 63 cents, in the three months to June 30. Revenues surged 26 per cent to $3.79bn. Order inflows grew from $3.08bn to $3.69bn. The latest results include a $102m pre-tax gain from two disposals. *Bernard Simon, Toronto*

■ COMPUTER MANUFACTURING

Tandem jumps 85%

Tandem Computers, the computer manufacturer that last month agreed to be acquired by Compaq Computer, saw third quarter earnings jump 85 per cent. Net income for the quarter ended June 30 was $43m, or 36 cents a share, compared with $23m, or 20 cents, in the same period last year. Revenues from continuing operations rose 5 per cent to $503m, compared with $466m. *Louise Kehoe*

■ GOLD

Barrick Gold bucks price slide

Barrick Gold's second-quarter earnings fell 10 per cent, due partly to lower output and higher costs at the El Indio mine in Chile. The Toronto-based company, one of the largest gold producers outside South Africa, was unaffected by the recent slide in the bullion price. The average price realised in the quarter climbed from US$417 to *US$420 an ounce. Barrick* has hedged 8.5m ounces, equal to about three years production. Cash operating costs were little changed at $186 an ounce. Net earnings dropped from $69m, or 19 cents, a year earlier to $62m, or 16 cents, in the three months to June 30. Mr John Carrington, president, forecast higher earnings and cash flow for the year as a whole. *Bernard Simon*

■ HEAVY MACHINERY

Caterpillar buoyed by US sales

Caterpillar, the heavy machinery group, said net profits in the second quarter rose from $374m in the same period last year to $435m, pushing earnings per share from 97 cents to $1.15 on sales up from $4.2bn to $4.9bn. *It* said its sales inside the US were $2.42bn in the current quarter, a 20 per cent increase on last year, due mainly to higher industry demand for machines and engines. Sales outside the US rose 14 per cent to $2.36bn, with improved physical sales volume contributing to the increase. The company said it expected to see net sales and profits "moderately higher" in the second half of this year compared with last year. *Agencies, New York*

■ MACMILLAN BLOEDEL

Weak prices hit forestry group

MacMillan Bloedel, Canada's largest forest products company, has reported a C$5m (US$3.63m) loss in the second quarter, its third consecutive quarterly loss. The company said the loss, on sales of C$1.5bn, reflected weaker prices for board, paper and packaging, as well as a slowdown in the Japanese lumber market. The results for the period ending June 30 were worse than market analysts had expected. *Scott Morrison, Vancouver*

■ AIRCRAFT ORDERS

Northwest signs $620m jet deal

Northwest Airlines of the US has placed a $620m order with Aero International Regional, the European aircraft joint venture, for 24 British Aerospace RJ85 jets. *Michael Skapinker*

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

UK bus and rail group expands overseas transport interests and sees threefold rise to $201m

Acquisitions speed Stagecoach advance

By Charles Batchelor, Transport Correspondent

Stagecoach Holdings, the acquisitive bus and rail group, yesterday announced near tripling of pre-tax profits to £120.5m ($201.2m) in a year which marked its transformation from a UK bus operator to a broadly based transport group with increasing overseas interests.

The jump in pre-tax profits from £43.6m reflected acquisitions made during the year and also included a £15.2m gain on the disposal of Strathclyda buses, a move forced on Stagecoach by the competition authorities and £1.9m from sales of property.

SWT increased its contribution to Stagecoach's operating profits from £400,000 to £7.7m in the year on turnover which rose from £48.8m to £224.2m. Stagecoach hopes to extend its present seven year franchise. It intends to buy new trains and believes that a call by the health and safety executive for the early replacement of older carriages equipped with so-called "slam-doors" will help its case.

The UK bus market, still its core business in terms of turnover, achieved its fourth year of organic growth although at 1.7 per cent in the year this was lower than in recent years.

Stagecoach has also begun to benefit from its overseas expansion. In Sweden, where Stagecoach acquired Swebus, the largest bus operator in the Nordic region, passenger numbers have risen sharply following the launch of new express coach services. Operating profits in the overseas bus division roaa from £8m to £13.9m helped by a £7.9m sevenmonths contribution from Swebus. Overseas bus turnover rose from £48.8m to £224.2m.

In Kenya and Malawi, where Stagecoach owns bus services, it is facing tough compatition from unregulated operators and the combined operating margin fell from 13.2 to 8.8 per cent. After the year-end Stagecoach paid £3.7m for part of Transit Australia, comprising a contract to operate 120 buses.

Overall, the group's figures showed operating profits ahead to £148m (£55.8m) on turnover of £1.15bn (£501m). Excluding acquisitions turnover rose 57 per cent.

Capital spending increased by £72m to £110.8m, with Stagecoach continuing to spend heavily on new buses as well as on the 30 new trains for South West Trains which Stagecoach is already committed to buy.

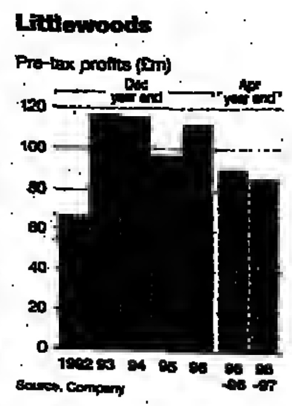
Cash flow improved from £86.3m to £232.7m. Depreciation increased from £27.1m to £87.2m reflecting the impact of Porterbrook and Swebus.

Tha proposed final dividend is 6p (4.6p) making a total of 9p (6.7p) for the year, a 34 per cent increase and covered four times by profits. This is payable from earnings of 39.7p (19.7p).

The shares fell 13p to 724p. Separately, Mr Sandy Anderson intends to step down as chief executive of Porterbrook, a subsidiary which leases rolling stock. But Mr Anderson, who staged the original management buy-out of the company, will handle forthcoming rail orders and will remain chairman.

LEX COMMENT

Littlewoods



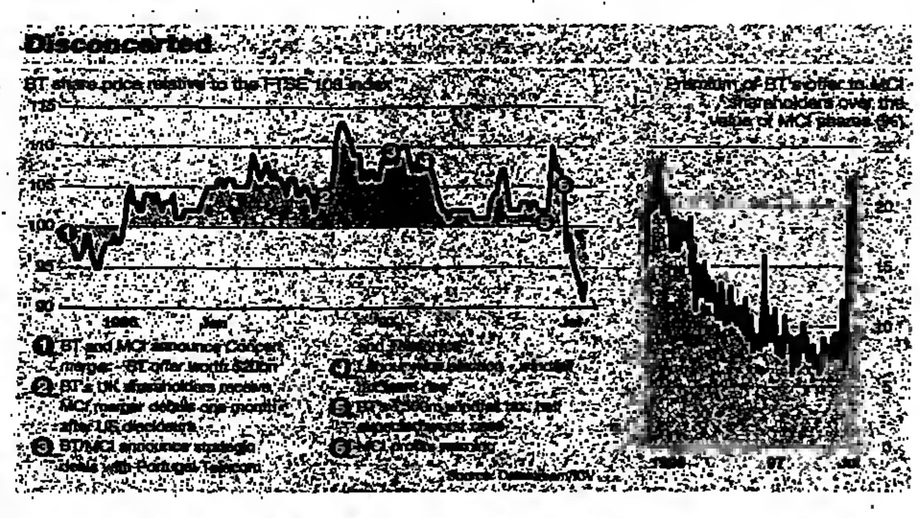
Mr James Ross must be thankful there is no Littlewoods share price to testify to the group's agonies. He had a good start as cbairman, getting the Moores family, wbo control the business, to accept a separation of ownership and management. But subsequent progress has been distinctly ragged, with the mid-week lottery dealing a further blow to the pools business, and the bid for Freemans remaining messy and unresolved. It is the atores division, though, that bas been attracting the headlines. Mr Ross's decision to seli some to Marks and Spencer, while reformatting the balance of the portfolio, may be the best of a bad set of options: even so, it is hardly compelling. Certainly, more focused targeting of the group's core customers, middle-aged women, through a more coherent store portfolio, represents an improvement on the status quo. Better use of the property assets will also provide some stable income. But there remains a big risk thet this strategy will not deliver promised returns, in which case Mr Ross would have done better to be rid of the stores en bloc, even at a lowprice.

For the Moores family, the one consolation is the reasonable health of its core business, home shopping. Littlewoods has outsmarted its main rival GUS on the agency side, and is making successful inroads into the direct business through index Extra.

Still, with return on equity a dismal 6 per cent, Mr Ross has a long way to go to convert Littlewoods into a decent business.

BT still hanging on the line

Further pressure on its shares is likely, says Clay Harris



British Telecommunications' share price has slid sharply since MCI Communications, its US partner in a proposed marriage, announced that breaking into the US local telephone market would cost it an extra $1.8bn in tha next two years.

BT ahares bave fallen nearly 15 per cent from the closing high of 501½p reached on July 4, even after recovering 7½p to 423p yesterday on an interconnection charges proposal from Oftel, which was deemed positiva for the company.

But leaving aside tha uncertainty over the Concert merger, whicb BT and MCI executives are trying to salvage in talks in the US, telecoms analysts expect BT's share price to face further pressure in coming weeks.

Embedded within BT's price is nearly 47p in dividends due to be paid on September 12. One part is the 1996-97 final of 11.95p; the other is a 35p special distribution for BT holders, intended to sweeten the MCI deal.

Demand from income-oriented investors has helped bnoy tbe BT price in the choppy waves stirred up by MCI. Once the shares go ex-dividend on August 11, they may be vulnerable to new pressure, especially if the MCI issue has not bean resolved.

One City analyst said yesterday the sharas could trade as low as 350p after that date. Others saw 380p as more likely.

Investors chasing after the big chunk of incoma have helped to offset selling by arbitrageurs, who have been trying to take advantage of the gap between the fluctuating value of BT's shares-and-cash offer and MCI's share price.

The premium of the offer over the MCI share price had shrunk to 6 per cent by early this month, reflecting the growing belief thet the deal would go abead, since most regulatory burdles had been cleared. In the past fortnight, after MCI's warning, the premium has trabled, even taking into account the slide in BT's price.

The conflicting technical pressures on the price are nothing new. "BT hasn't traded on fundamentals in nine months – it's traded on technicals," said one analyst.

Political attention and market commentary may have focused on the government's windfall tax. BT escaped relatively lightly with a £500m bill – about half the "worst case" predictions. Coincidentally that £500m difference is similar to the $800m extra that MCI said it would have to spend this year.

BT'a share price received a bigger boost from institutions assiduously adding to their holdings in anticipation of greater portfolio weightings that would ba required post-MCI.

The star-spangled excitement of the MCI deal, although now looking distinctively tarnished, also may have enchanted BT followers into accepting a more rosy view of growth prospects than justified. Whatever the outcome of the BT-MCI talks, it is likely that attention will now focus more on fundamentals.

CU builds up UFF stake in FFr1.29bn deal

By Christopher Adams, Insurance Correspondent

Commercial Union, the composite insurer, yesterday moved to strengthen its life operations in France with the acquisition of a 55.8 per cent stake in Union Financière de Franca for FFr1.29bn ($210.4m) from Credit Agricole Indosuez.

The deal adds to CU's existing 11.7 per cent shareholding, giving the insurer a two-thirds stake in UFF, which sells insurance and investment products through financial advisers.

UFF aarned FFr783m in commission from premiums written last year and made FFr267m in pre-tax profits. It has £2.3bn in funds under management.

Analysts responded with enthusiasm, noting that the price paid represented a multiple of 13.5 times earnings and appeared to be low given the potential for growth.

"It's consistent in the sense they have been cementing their French business. They already bave their own sales force, but this one is very high quality," said one.

The acquisition of UFF is the second sizeable purcbase CU has made in France this year. in April, it spent £140m buying Frencb life assurer Société d'Epargne Viagère, and insurance broker Sinafer, giving it 4.5 per cent of France's life market.

CU also unveiled a strong increase in new business from sales of life, pensions and investment products. Premiums jumped 21 per cent to £1.58bn in the first half of this year. But analysts said CU's performance in France, its biggest market, was again disappointing. Single premiums fell 15 per cent to £624m and annual premiums dropped 30 per cent to £11m. "Growth across the wbole of the French life market has decelerated strongly," said one. CU blamed the slowdown in part on a restructuring of its sales force.

Single premium sales in the UK rose 75 per cent to £265m.

The shares slid 19p to 675½p. Analysts said they were hit by news that BAT Industries, the tobacco and financial services group cited as a potential partner for CU, had bought a tobacco manufacturer in Mexico.

Moores family support board

By Emiko Terazono

Mr James Ross, chairman of Littlewoods, received full support from the Moores family sharebolders yesterday, as they gathered at the Grosvenor House Hotel in London.

The move followed the circulation last week of an unsigned letter among some members of the Moores family accusing Littlewoods' management of keeping shareholders in the dark about a £540m ($902m) bid for the group's 133 stores.

The letter was accompanied by details of a bid made on June 3 by Mr Michael Smith, chairman of CVC Capital Partners, tbe venture capital company, for the stores.

Although the letter – then tbougbt to be written by shareholders unhappy witb the sale of 19 key Littlewoods stores to Marks and Spencer for £192.5m – implied a continued interest from CVC in acquiring Littlewoods stores, it emerged yesterday that its bid bad lapsed along with the M&S agreement.

Littlewoods' also released its annual results, sbowing a 6.1 per cent decline in pretax profits to £85.2m. This included a £19.2m provision to cover withdrawal from Russia and India.

Putting a value on the deal

How much is BT paying for MCI? Commonly quoted as a $20bn deal, it is worth considerably more than that, writes Clay Harris.

The shares-and-cash offer yesterday valued all of MCI at $29.2bn, or $23.7m for the 81.3 per cent of the outstanding 729m "A" and common shares which BT does not already own.

Thia does not take into account an estimated 80m options, (which would make up nearly 10 per cent of fully diluted share capital). On one estimate of an average exercise price of $22, the total would add another $1.44bn to MCI's valne.

The valuation is a moveable feast since it depends on two variables: BT's share price, still up considerably since the deal was announced in Novamber, and the sterling exchange rate, which has also enhanced the value in dollars.

BT is offering 5.4 of its shares plus $6 for each MCI share. But MCI shareholders will not qualify for a 35p special dividand or the 11.95p final dividend. The ex-dividend date for both is August 11.

Billiton to get FTSE 100 place

By Kenneth Gooding

Shares in Billiton were priced at 220p each yesterday, giving the mining and metals group a market value of £4.6bn ($7.7bn) and ensuring it a place in the FTSE 100 Index.

The shares were actively traded on the London Stock Exchange after dealings began on a conditional basis, or before the formal allocation of shares. They opened at an 8½p premium bnt retreated to 221p after 28m shares had been traded.

Billiton, which has been demerged from Gencor of South Africa, was at yesterday's price the 56th biggest London-listed company, and is likely to join the FTSE 100 on September 22.

The placing price was well within the 210p-240p range Gencor ontlined in the prospectus at the beginning of this month. Billiton has raised £825m from the placing and this would rise to £949m if the 15 per cent "greenshoe," or oversubscription allowance, is exercised in full.

Soma analysts suggested the shares were overpriced but would in the short term be anpported by strong demand from funds obliged to invest in FTSE 100 stocks.

"I think the shares are at least 10 per cent overvalued," said Mr Emil Morfett, analyst at Banque Paribas. He pointed to political and currency risks because 70 per cent of Billiton'a assets were in South Africa.

Billiton is the second-largest mining group listed in London, behind Rio Tinto, the Anglo-Australian group.

US drug sales aid SmithKline

By Daniel Green

SmithKline Beecham, the UK's second largest pharmaceuticals company, achieved a sharp increase in US drug sales in its second quarter, although group sales and profits figures were hit by the strength of sterling.

Pre-tax profits for tha quartar were £356m ($594.5m), up 4 per cent. Exclnding currency fluctuations, the rise would have been 16 per cent.

Mr Hugh Collum, finance director, said the atrong pound was likely to reduce full-year profits by about 8 per cent.

SmithKline shares rose 49p to £12.19¼ as investors concentrated on underlying drugs sales growth, up 15 per cent to £1.06bn for the quarter.

Anti-depressant Paxil/Seroxat lifted sales 33 per cent at comparable exchange rates to £211m.

Sales of products launched in the past five years – seen by analysts as a guida to future growth – rose 42 per cent to £382m.

The consumer healthcare division increased sales 14 per cent, excluding currency movements, to £589m.

The clinical laboratories business, perennially troubled by tough competition, lifted sales 2 per cent to £208m.

A second interim dividend of 4.41p consists of a 1.96p conventional pay-out and a 2.45p foreign income dividend.

Tha company also announced that it planned to split its ordinary shares in two.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
AFA Systems Φ	6 mths to Jun 30	0.062	(0.237)	0.855L	(0.229L)	8.56L	(3.06L)	-	-	-	-	-
Barbour Index	Yr to Apr 30	12.5	(12)	2.42	(2.25)	8.6	(9)	6.85	Oct 1	6.5	10	8.5
Bowness Leisure Φ	6 mths to Apr 30	0.876	(1.07)	0.064	(0.031)	5.8	(3.8)	-	-	-	-	5
CTR	Yr to Apr 30	112.7	(147.2)	5.8♥	(181L♠)	0.96†	(153.5L)	nil	-	nil	nil	nil
Channel	Yr to May 2 ☆	59.6	(36.2)	3.71♠	(2.41)	2.7†	(3)	1.1‡	-	0.95	1.55	1.5
Copyright Promo	Yr to Apr 30	18.1	(16.9)	0.1♠	(0.3)	0.47	(2.46)	nil	-	1.5	0.5	1.5
Devon Tit Dask Φ	Yr to Mar 31	32.1	(24.9)	0.505	(0.375♥)	12.6	(11.3)	1.5	Sept 9	-	1.5	-
Eurodis Electron	Yr to May 31	298.3	(298)	3.02♠	(18♥)	1.29†	(28.39)	3.15	Oct 31	3	5.1	4.85
GGT	Yr to Apr 30	416.1	(360.3)	0.081L♠	(5.55)	11.38L†	(14.14)	3.9	Oct 31	3.7	6.2	5.8
H&C Furnishings	Yr to Apr 26 ★	151.8	(60.9)	0.905♠	(2.2)	1.18†	(10.53)	4	Sept 2	2	6	3
Ind Brit H'care Φ	6 mths to Mar 31	16.7	(20.4)	1.33♥	(1.02)	5.2	(4)	0.5	Aug 28	0.5	-	1
Mentmore Abbey	Yr to Apr 30 ‡‡	28.2	(12.6)	1.75♠	(0.104♠)	2.2	(1.5)	0.3	Oct 1	nil	0.9	nil
Mentor-Swain	Yr to Apr 30	109.8	(100.1)	14.9	(9.58♠)	20.1	(11.6)	4.45	Oct 2	3.9	6.6	5.75
Menzies (John)	Yr to May 3	1,417	(1,413)	30.6	(35.9)	33.8	(40.1)	9	Oct 31	9	13.8	13.2
Mitie	Yr to Mar 31	209.4	(161.1)	8.21	(6.3)	8.1	(6.5)	1.1	Oct 1	0.88#	2	1.6#
Oglesby & Butler ♣	Yr to Mar 31	3.8	(4.34)	0.482	(0.553)	3.93‡	(4.75)	1	Sept 6	-	1	-
Radiant Metal	Yr to Feb 28	0.889	(0.836)	0.003	(0.01L)	0.2	(0.76L)	-	-	-	-	-
St Modwen Props	6 mths to May 31	21.6	(16.4)	6.53	(4.72)	3.7†	(2.5)	0.9	Sept 12	0.8	-	2.5
Shani	Yr to Apr 30	11.2	(13.8)	0.288L♠	(1.16)	1.3L	(5.4)	2.37	Sept 11	2.37	-	7.17
SmithKline Beecham	6 mths to June 30	3,733	(3,798)	774	(729)	18.6	(17.8)	4.41♦大	Oct 15	4大	-	17.85
Stagecoach	Yr to Apr 30	1,153	(501.2)	120.5♥	(43.6)	39.7†	(19.7)	6	Oct 16	4.6	9	6.7
Tom Hoskins Φ	Yr to Mar 1 ‡‡‡	1.98	(1.68)	0.307L♠	(0.034)	4.46L†	(0.25)	-	-	-	-	-
Waste Management	6 mths to June 30	560.1	(507)	69.1	(75.3)	9.7	(12.3)	-	-	-	-	-
WF Electrical	Yr to Apr 30	113.3	(97.5)	6.65	(5.03)	31.1	(23.66)	11	Oct 20	9.4	15	12.9

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Temple Bar	6 mths to June 30	470.49	(396.24)	5.79	(5.56)	10.07	(9.68)	5.7	Sept 30	5.2	-	15

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ☆Comparatives for 13 months. ΦAim stock. ‡Paid on June 10 as second interim. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ★Comparatives restated. ‡‡Comparatives for 13 months. #After share subdivision. ♣Irish currency. ‡On reduced capital. ♦Second interim; makes 8.82p to date. 大Includes foreign income dividend element. ‡‡‡Comparatives for 11 months.

INTERNATIONAL CAPITAL MARKETS

Prices firm before Greenspan speech

GOVERNMENT BONDS

By Vincent Boland and Greta Steyn in London and John Labate in New York

Bood markets edged higher yesterday ahead of Mr Alan Greenspan's semi-annual report on the state of the US economy. Tbe Federal Reserve chairman addressed Congress in the first leg of his semi-annual Humphrey Hawkins testimony after European markets closed.

Firmer US Treasuries supported the better mood. High-yielding European markets, in particular, made gains on a more positive reading of Monday's French public finances audit.

ITALIAN BTPs were the day's best performers, the yield over German bunds falling to 87 basis points. With France heading for a budget deficit of 3.1 per cent to 3.3 per cent of gross domestic product, Italy is well-placed to join a broad European monetary union.

Some analysts cautioned that the lack of surprises, either positive or negative, in tbe Frencb audit shed little light on Emu qualifiers.

"It failed to clarify who gets in – all it did was put Emn back on track," said Ms Sally Wilkinson, at Daiwa Europe in London.

However, combined with good inflation figures from the main cities and a stronger lira, the reawakening of convergence plays helped drive the September bond futures contract up 1.00 to settle in London at 136.56.

SPANISH BONOS also gained in sympathy, with analysts seeing scope for further spread tightening at the long and short ends of the yield curve on the back of a mucb stronger convergence play. The September futures contract settled 0.40 higher et 117.98.

FRENCH OATs were also firmer on relief over the government's deficit reduction package. The September notional futures contract settled at 130.70, up 0.48.

UK GILTS rose, cheered by the International Monetary Fund's view that interest rates might not have to rise as much as feared. The September gilts future reached a high of 115.02 before settling at 114.30, up from Monday's 114.15.

The market will focus today on the auction of £2bn of 8 per cent gilts due 2021. Some analysts believed Mr Greenspan's testimony could make it a tough sell.

Mr Andrew Roberts, of UBS, warned that the auction might not go very well if the market rose any further from present levels before it took place.

The market will also be taking a close look today at retail sales figures for June for signs of inflationary pressure from consumer spending and for an immediate reading on the direction of interest rates.

GERMAN BUNDS also had a firmer tone. The September bund future settled at 103.03, off its peak of 103.11 but up on its overnight level of 102.72. One analyst said the contract was struggling to break ont of its recent trading range and that there was little scope for the market to rise further.

US TREASURIES moved higher in early trading ahead of Mr Greenspan's testimony. The benchmark 30-year bond rose ⅜ to 101$\frac{15}{32}$, sending the yield lower to 6.507 per cent. Meanwhile, the two-year note rose $\frac{1}{32}$ to 100$\frac{3}{32}$, yielding 5.894 per cent while the 10-year Treasury bond gained ⅛ to 102$\frac{13}{32}$, yielding 6.227 per cent.

"We've had nothing but buyers today, with buying of the two-year note against the back end of the curve," said Mr John Spinello, government securities strategist at Merrill Lynch.

Weakness in the long bond price drove its yield above 6.5 per cent in Monday trading, days after it hit its lowest yield since late last year.

With little new economic data to drive the market, the Fed chairman's remarks abont inflation and economic growth could lead to further selling.

Hong Kong group poised for $2bn deal

By Edward Luce in London and Louise Lucas in Hong Kong

Hutchison Whampoa, one of Hong Kong's leading blue chip companies, is expected this week to launch the first significant bond by a Hong Kong company since the former UK colony was returned to Chinese sovereignty at the start of this month.

Bankers said the eurobond – expected to be launched in four tranches – could amount to $2bn, twice the size of the original planned total. "There is obviously very strong demand for such rare paper," said one dealer in London. "It is not often that Hong Kong companies come to the market and when they do, investors are usually enthusiastic."

Analysts said currency turmoil in south-east Asia – including devaluations of the Thai baht and Philippine peso – had boosted the attraction of Hong Kong debt to overseas buyers. The Hong Kong dollar is pegged to the US dollar. "There is no question of the Hong Kong dollar coming under speculative attack," said one economist. "It is a safe haven for investors."

The bond, to be lead-managed by Merrill Lynch and Goldman Sachs, is expected to include 10, 20, 30 and 40-year tranches with a 12-year put option on the 40-year.

Hutchison Whampoa has been one of Hong Kong's most aggressive corporates in the international equity and syndicated loan markets. Last year it signed a US$1.5bn long-term loan facility, Hong Kong's biggest ever corporate borrowing.

Hong Kong corporates have traditionally been debt averse: partially because it goes against the grain of family ownership and support, but also due to the ease of raising equity in Hong Kong, which has deterred many corporates from seeking the credit ratings necessary for bond issues.

However, the trend began to change in 1993, when a vogue for convertible bonds – a halfway house between bonds and equity – prompted blue chips such as Wharf (Holdings) to acquire ratings. Other conglomerates and property developers, including Swire Pacific and Sun Hung Kai Properties, followed suit.

More recently, Peregrine Investments Holdings, the pan-Asian merchant bank, obtained a rating this year from Japan Bond Research Institute as part of its efforts to expand its funding base.

Traders believe there is now a window of opportunity for Hong Kong corporates to tap the bond markets, as fund managers are scrambling for places to allocate Asian funds.

Hong Kong's large reserves and sound economic fundamentals have convinced most analysts it would emerge unscathed from attack by speculators.

But corporates seem slow to exploit this opportunity. Only Hopewell Holdings, the infrastructure company, is said to be considering a bond issue – more than two years after scotching a similar plan when it received a lower than expected credit rating. Market sources suggest Hopewell is looking to launch a US$600m bond.

ICI in first issue since demerger of Zeneca

INTERNATIONAL BONDS

By Krishna Guha and Edward Luce

Imperial Chemical Industries yesterday followed up its recent $8.5bn syndicated loan with a $500m eurobond – its first since demerging from Zeneca in 1993. The five-year issne, priced to yield 50 basis points over Treasuries, tightened fractionally after launch.

ICI, which views the bond as a benchmark for future offerings under its European medium-term note programme, said the proceeds would refinance part of the syndicated loan.

Yesterday's offer was more than 25 basis points cheaper than its recent syndicated funding, at 55 basis points over the London interbank offered rate. The loan was signed shortly after ICI's takeover of Unilever's speciality chemicals business.

An official at UBS, joint book-runner with Deutsche Morgan Grenfell, said the paper was distribnted widely, with Swiss, German, middle eastern and Asian investors participating.

RELIANCE INDUSTRIES, India's leading petrochemicals company, became the first Indian corporate borrowsr to tap the sterling market. Its £150m 10-year issue was priced at 165 basis points above gilts.

Merrill Lynch and HSBC ran the book. The issue was bought by UK, US and continental European institutions and tightened to 163 points in secondary trading.

Mr Mathew Panikar, managing director of Reliance Europe, said the issue would diversify funding sources and allow it to retire expensive domestic debt.

Reliance has issued $764m of Yankee bonds in the past 18 months. It chose to diversify into sterling because "we felt this is a market that very closely follows the US," said Mr Panikar. Investors could compare the yield with Reliance's existing 10-year dollar debt.

Reliance's BB–/Baa3 rating is constrained by India's sovereign ceiling. Mr Panikar said "we are paying about 1 per cent additional premium" as a result.

CITIC, China's state-owned investment arm, returned to D-Marks with a DM200m five-year issue priced to yield 62 basis points over bunds, five points over sovereign debt.

This one hit choppy waters, as China's sovereign spread widened by about 3 basis points during the day. Citic followed China out to 65 points. Book-runner Commerzbank bought back about DM15m, saying the issue would take time to place.

But it said the bonds were popular with high yielding emerging market debt funds and, more surprisingly, with EU retail investors.

"When interest rates are low people go to high yield," said Commerzbank. "China was sold to retail investors, and Citic was sold as 100 per cent China."

Citic does not carry a sovereign guarantee, and is rated one notch below China, at Baa1/BBB–. But it is owned by the Ministry of Finance, and is not allowed to go bankrupt under Chinese law.

● The international bond report in yesterday's Financial Times attribnted a $500m bond to GEC of the UK. It was in fact issued by Gensral Electric Capital Corp, the funding arm of General Electric of the US.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Fuji Bank Intl(a)‡	600	(a1)	100.00R	undated	0.75R	-	Fuji Intl/Morgan Stanley
ICI Investments(Neths)	500	6.75	99.924R	Aug 2002	0.325R	+50(WI 5yr)	Deutsche MG/UBS
PFI, Series A(b)‡	200	(b1)	100.00R	Aug 2002	0.215R	-	Paribas
PFI, Series B(b)‡	100	(b2)	100.00R	Aug 2004	0.23R	-	Paribas
Bco Bradesco, Gd Cayman	100	6.625#	99.967R	Aug 1998	0.125R	+62½(Libor)	Société Générale
City of New York(c)‡	75	(c1)	100.034R	Aug 2002	0.28R	-	Goldman Sachs Intl
■ D-MARKS							
Norgeskreditt‡	350	(d)	100.023R	Aug 2000	0.15R	-	Salomon Brothers AG
Ford Motor Credit Co	250	4.75	99.62R	Aug 2002	0.25R	+40(4½Feb02)	Deutsche Morgan Grenfell
Citic	200	5.00	99.80R	Aug 2002	0.30R	+62(4½Feb02)	Commerzbank
Süwest LB Capital Mkts(e)	100	2.25	101.975	Aug 2002	2.00	-	JP Morgan Frankfurt
■ YEN							
Korea Industrial Leasing Co♦	10bn	2.20	99.85	Aug 2002	0.40	-	Nikko Europe
■ STERLING							
World Bank	300	7.125	99.276R	Jul 2007	0.325R	+10(7¼Dec07)	SBC Warburg
Reliance Industries	150	8.75	99.303R	Aug 2007	0.625R	+165(7¼%-07)	HSBC Mkts/Merrill Lynch
■ FRENCH FRANCS							
Südwest LB Capital Markets	2bn	5.625	99.366R	Aug 2009	0.35R	+13(i)	CDC/C Agricole Indosuez
■ ITALIAN LIRE							
Standa Luxembourg‡	250bn	(f)	99.75R	Jul 2004	0.40R	-	Bankers Trust/Cariplo
■ DANISH KRONER							
Finance for Danish Ind(I)	400	5.50	101.875	Dec 2003	1.875	-	Banque Paribas Lux
Crédit Local de France(I)	400	5.25	101.85	Dec 2002	1.875	-	BIL

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Callable from Aug 02 at par. a1) 6-mth Libor +80bp to Aug 02, then +230bp. b) Premier Funding Intl. Backed by funding agreement issued by Premier Life Insurance. b1) 3-mth Libor +20bp. b2) 3-mth Libor +23bp. c) Fungible with $350m. Plus 91 days accrued. Amortises: av life 2¾ yrs. c1) 3-mth Libor +25bp. d) 3-mth Libor +2½bp. e) Denom: DM5,000 + 2 wrts. Each wrt gives holder right to exchange DM5,000 for US$ at 1.74DM/$ until 22/12/97. f) 3-mth Libor +95bp. i) Over interpolated yield. I) Long 1st coupon

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/07	124.9697	–	6.60	6.73	7.12
Austria		5.625	07/07	100.4000	+0.410	5.57	5.66	5.90
Belgium		6.250	03/07	104.6000	+0.340	5.62	5.70	5.80
Canada *		7.250	06/07	109.3000	+0.280	5.99	6.08	6.26
Denmark		7.000	06/07	107.0400	+0.380	6.06	6.16	6.18
France	BTAN	4.750	03/02	100.7933	+0.160	4.55	4.62	4.85
	OAT	5.500	04/07	100.7900	+0.310	5.39	5.49	5.65
Germany Bund		6.000	07/07	103.4400	+0.310	5.54	5.63	5.72
Ireland		8.000	08/06	111.1400	+0.140	6.34	6.44	6.62
Italy		6.750	02/07	102.5400	+0.240	6.39†	6.48	6.96
Japan	No 148	5.600	06/02	118.4868	–0.470	1.66	1.58	1.65
	No 182	3.000	09/05	105.3655	+0.080	2.28	2.32	2.43
Netherlands		5.750	02/07	101.9800	+0.300	5.47	5.56	5.58
Portugal		9.500	02/06	121.8500	+0.280	6.14	6.21	6.38
Spain		7.350	03/07	108.3700	+0.410	6.16	6.27	6.43
Sweden		8.000	08/07	110.8068	+0.310	6.50	6.52	6.83
UK Gilts		7.000	06/02	99–18	+7/32	7.10	7.15	6.94
		7.250	12/07	101–25	+13/32	7.00	7.10	7.05
		9.000	10/08	115–03	+15/32	7.03	7.13	7.11
US Treasury *		6.625	05/07	102–27	+6/32	6.23	6.27	6.49
		6.625	02/27	101–15	+11/32	6.51	6.57	6.77
ECU (French Govt)		5.500	04/07	97.6300	+0.250	5.82	5.94	5.93

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: Standard & Poor's MMS.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.91
Prime rate	8½	Two month	-	Three year	6.02
Broker loan rate	7¼	Three month	5.24	Five year	6.15
Fed.funds	5$\frac{7}{16}$	Six month	5.37	10-year	6.26
Fed.funds at intervention	-	One year	5.58	30-year	6.51

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	130.42	130.70	+0.48	130.84	130.40	110,016	202,750
Dec	99.22	99.46	+0.44	99.50	99.20	634	5,299
Mar	98.62	98.86	+0.44	98.62	98.62	-	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Aug	Calls Sep	Calls Dec	Puts Aug	Puts Sep	Puts Dec
126	4.70	4.70	-	-	0.01	-
127	3.70	3.71	-	-	0.03	-
128	2.71	2.76	-	0.01	0.09	-
129	1.71	1.89	-	0.01	0.20	-
130	0.80	1.12	-	0.11	0.42	-

Est. vol. total, Calls 18,477 Puts 20,414. Previous day's open int., Calls 109,112 Puts 144,945.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102.73	103.03	+0.31	103.10	102.70	161732	270685
Dec	101.86	102.12	+0.31	102.12	101.86	456	10412

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
10300	0.18	0.58	0.47	0.81	0.15	0.56	1.35	1.69
10350	0.03	0.38	0.31	0.62	0.50	0.83	1.69	2.00
10400	0.01	0.21	0.20	0.47	0.98	1.16	2.08	2.35

Est. vol. total, Calls 26262 Puts 15197. Previous day's open int., Calls 197402 Puts 271259

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	136.70	137.56	+1.00	137.65	136.70	63916	105131
Dec	109.05	109.41	+0.85	109.50	109.05	85	2375

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
8000		29.41		0
8050		28.91		0
8100		28.41		0

Est. vol. total, Calls 6106 Puts 14529. Previous day's open int., Calls 90043 Puts 114376

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	117.65	117.98	+0.40	118.15	117.61	7,145	95,105
Dec	101.70	101.78	+0.32	–	–	20	273

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	114-15	114-30	+0-15	115-02	114-15	61088	163148
Dec	114-08	114-17	+0-14	114-17	114-08	1700	1138

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
114	0-63	1-28	1-29	1-59	0-03	0-30	0-59	1-25
115	0-16	0-51	0-60	1-27	0-22	0-55	1-26	1-57
116	0-03	0-26	0-37	1-01	1-07	1-50	2-03	2-31

Est. vol. total, Calls 3775 Puts 3116. Previous day's open int., Calls 49790 Puts 36740

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	97.06	97.40	+0.40	97.48	97.06	30	6,676

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	114-00	114-10	+0-10	114-10	113-30	162,580	488,847
Dec	113-21	113-31	+0-11	113-30	113-18	2,500	34,318
Mar	–	113-08	–	–	–	419	16,014

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	125.18			125.28	125.08	792	na
Dec	124.55			124.55	124.55	50	na

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Tue Jul 22	Day's change %	Mon Jul 21	Accrued interest	xd adj. ytd		Low coupon yield Jul 22	Jul 21	Yr. ago	Medium coupon yield Jul 22	Jul 21	Yr. ago	High coupon yield Jul 22	Jul 21	Yr ago
1 Up to 5 years (20)	119.86	0.11	119.53	2.39	8.01	5 yrs	7.10	7.15	7.31	7.14	7.19	7.38	7.22	7.26	7.43
2 5-15 years (20)	152.45	0.33	151.94	2.09	7.01	15 yrs	6.99	7.04	8.13	7.02	7.07	8.13	7.12	7.16	8.23
3 Over 15 years (6)	184.14	0.52	183.18	6.65	5.02	20 yrs	6.98	7.04	8.24	6.97	7.02	8.22	7.10	7.13	8.30
4 Irredeemables (5)	213.87	0.53	212.75	3.05	7.34	Irred.†	7.08	7.11	8.33						
5 All stocks (51)	147.51	0.30	147.07	3.05	6.40										

Index-linked							Inflation 5% Jul 22	Jul 21	Yr. ago	Inflation 10% Jul 22	Jul 21	Yr. ago
6 Up to 5 years (2)	205.93	0.03	205.87	1.87	3.09	Up to 5 yrs	3.63	3.63	2.88	2.94	2.93	1.16
7 Over 5 years (10)	200.27	0.06	200.15	1.09	3.98	Over 5 yrs	3.54	3.54	3.82	3.32	3.32	3.81
8 All stocks (12)	199.79	0.06	199.66	1.16	3.85							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Jul 22	Jul 21	Jul 18	Jul 17	Jul 16	Yr ago	High*	Low*
Govt. Secs. (UK)	97.20	96.92	97.08	97.08	96.88	92.77	97.51	93.31
Fixed Interest	125.99	125.76	125.43	125.15	124.88	112.63	125.99	115.32

Gilt Edged Activity Indices

	Jul 21	Jul 18	Jul 17	Jul 16	Jul 15
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until further notice.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Treas Cnv 7pc 1997‡‡	7.00	6.72	100$\frac{1}{32}$	—	101$\frac{1}{32}$	100$\frac{1}{32}$
Treas 8¾pc 1997‡‡	8.74	6.75	100$\frac{3}{32}$	–$\frac{1}{32}$	107$\frac{9}{32}$	100$\frac{3}{32}$
Exch 15pc 1997	14.70	6.70	102$\frac{1}{32}$	–$\frac{1}{32}$	110$\frac{1}{32}$	102$\frac{1}{32}$
Exch 9¾pc 1998	9.62	6.91	101$\frac{3}{32}$	—	105$\frac{1}{32}$	100$\frac{1}{32}$
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Funding 3½pc 1999-4	4.05	5.94	86¼	+¼	87$\frac{1}{32}$	80$\frac{1}{32}$
Conv 9½pc 2004	8.39	7.11	113¼	+$\frac{1}{32}$	114$\frac{1}{32}$	108$\frac{1}{32}$
Treas 6¾pc 2004‡‡	6.86	7.06	98⅜	+$\frac{1}{32}$	99$\frac{1}{32}$	93$\frac{1}{32}$
Conv 9½pc 2005	8.33	7.11	114$\frac{1}{32}$	+$\frac{1}{32}$	122$\frac{1}{32}$	110⅛
Exch 10½pc 2005	8.70	7.12	120$\frac{1}{32}$	+$\frac{1}{32}$	121$\frac{1}{32}$	117$\frac{1}{32}$
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes	Yield (1)	Yield (2)	Price £	+ or –	52 week High	52 week Low
Index-Linked (b)						
4⅝pc '98‡‡ (135.6)	–	2.58	114$\frac{1}{32}$	+$\frac{1}{32}$	114$\frac{1}{32}$	113$\frac{1}{32}$
2½pc '99	2.04	3.24	182$\frac{1}{32}$	+$\frac{1}{32}$	182$\frac{1}{32}$	179$\frac{1}{32}$
2½pc '01 (78.3)	2.83	3.58	186$\frac{1}{32}$	—	187$\frac{1}{32}$	180$\frac{1}{32}$
2½pc '03 (78.8)	3.11	3.61	183$\frac{1}{32}$	+$\frac{1}{32}$	184$\frac{1}{32}$	175$\frac{1}{32}$
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on July 22

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

long Kong
roup poised
r S2bn deal

CURRENCIES AND MONEY

Blithe Bundesbankers hurt D-Mark

MARKETS REPORT

By Simon Kuper

The dollar and pound soared against the D-Mark yesterday as Bundesbank officials suggested that European monetary union would proceed. The two currencies rose sharply because they finally overcame waves of selling at key technical levels.

Late yesterday the dollar was at DM1.8220 to the D-Mark, 2.6 pfennigs above Monday's London close. The pound was at DM3.0542 to the German currency, 4 pfennigs above Monday. The currencies rose further with US stocks and bonds after Mr Alan Greenspan, chairman of the Federal Reserve, said in his Humphrey-Hawkins testimony in the House of Representatives that US inflation would remain low this year but would rise in 1998. He implied there was no need for interest rates to rise in the short term.

Mr Hans-Jürgen Koebnick, Bundesbank council member, had earlier joined some of his colleagues in accepting France's virtual admission that it would miss the key entry condition for Emu. The Bundesbank's stance reduced fears of a delay to Emu. The D-Mark is still thought to be set to merge into a weak euro.

Mr Dominique Strauss-Kahn, French finance minister, admittad on Monday after France's audit of state finances that the country's budget deficit this year would probably exceed 3.0 per cent of gross domestic product, the Emu entry criterion.

But several Bundesbank officials later said they could live with such a deficit. Mr Koebnick said yesterday that the Bonn government "should explain to the peopla that the euro can very well be stable even if Germany'a deficit is 3.2 per cent and France's deficit is 3.3 per cent." Mr Avinash Persaud, head of currency research at J.P. Morgan in Europe, said: "The fact that France seems to be *trying* to meet the critarion now seems to be the important thing."

The dollar, which had struggled for a week against resistance at DM1.80 to the D-Mark, raced ahead after breaking the DM1.8040 level. Mr Marc Chandler, senior currency strategist at Deutache Morgan Grenfell in New York, said: "There were finally no more big sellers left at DM1.80."

But the US currency slipped slightly against the yen to Y115.6, and the yen rose Y0.70 against the D-Mark to Y63.78. The D-Mark dropped from SFr0.822 to SFr0.817 against the Swiss franc, near a 10-month low.

■ The pound was helped by the conclusion of a large sale of pounds for D-Marks, carried out by a major continental bank and said to involve up to £2bn, which had taken several daya. Other banks had waited for the trade to end before buying pounds.

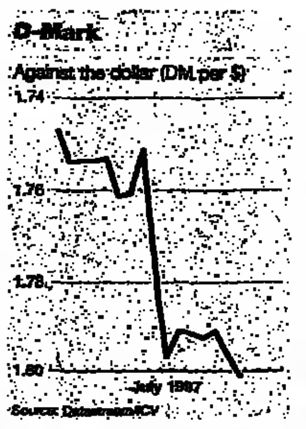
Sterling also benefited from the apparent inability of Mr Gordon Brown, the UK chancellor, to weaken it. Mr Brown told the Treasury select committee merely that he would like a stable and competitive pound in the medium term.

Mr Nicholas Parsons, currency strategist at Paribas Capital Markets in London, said: "In the medium term I would quite like to win the Lottery, but I don't have a clear strategy to bring that about."

■ The Malaysian ringgit will have shrugged off the claims of Dr Mahathir Mohamad, Malaysian prime minister, that Mr George Soros is to blame for the recent attack on south east Asian currencies. Dr Mahathir argued that the US hedge fund manager had acted out of disapproval for those countries' dealings with Burma.

More worryingly for the ringgit, Malaysia's Bank Negara yesterday said its foreign exchange reserves had dropped 12.5 per cent in the 15 days to July 15, from M$70.7bn to M$61.9bn. The bank had intervened heavily to support the ringgit after the Thai baht's devaluation on July 2. Bank Negara, incidentally, was famous until 1993 for its own speculation in the market. Traders would often report that it had been dealing in currencies as distant as sterling.

The Indonesian rupiah, down more than 5 per cent on Monday, firmed somewhat yesterday. It rose from 2,635/45 against the dollar to 2,575/80.



■ Pound in New York

Jul 22	—Latest—	-- Prev. close --
£ spot	1.6750	1.6785
1 mth	1.6732	1.6766
3 mth	1.6697	1.6731
1 yr	1.6528	1.6560

■ OTHER CURRENCIES

Jul 22	£	$
Czech Rp	57.8205 - 57.9523	34.4950 - 34.5530
Hungary	324.998 - 325.276	193.890 - 193.940
Iran	5031.90 - 5028.60	3000.00 - 3000.00
Kuwait	0.5084 - 0.5090	0.3033 - 0.3035
Poland	5.7779 - 5.7981	3.4470 - 3.4570
Russia	9705.20 - 9714.34	5790.00 - 5792.00
U.A.E.	6.1525 - 6.1612	3.6705 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jul 22		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	21.3857	+0.177	741 - 972	21.4177	21.1759	21.3313	3.1	21.2186	3.1	20.7131	3.1	101.7
Belgium	(BFr)	62.7422	+0.5053	899 - 944	62.8430	62.1310	62.5622	3.4	62.1922	3.5	60.4422	3.7	100.9
Denmark	(DKr)	11.5723	+0.0944	671 - 774	11.5892	11.4644	11.5408	3.3	11.4768	3.3	11.1853	3.3	103.0
Finland	(FM)	8.9696	+0.0764	696 - 775	8.9810	8.8880	8.9433	3.4	8.8908	3.5	8.6781	3.2	81.6
France	(FFr)	10.2418	+0.066	374 - 464	10.2615	10.1512	10.2089	3.9	10.1518	3.6	9.8764	3.6	103.4
Germany	(DM)	3.0394	+0.0252	376 - 409	3.0456	3.0092	3.0301	3.7	3.0111	3.7	2.9242	3.6	101.5
Greece	(Dr)	475.478	+2.448	018 - 939	476.274	471.559	477.262	-4.5	479.886	-3.7	488.254	-2.7	65.0
Ireland	(I£)	1.1306	+0.0075	295 - 317	1.1326	1.1225	1.1301	0.5	1.1287	0.7	1.1178	1.1	88.3
Italy	(L)	2952.67	+20.03	095 - 439	2958.97	2927.87	2952.75	0.0	2952.72	0.0	2950.12	0.1	75.8
Luxembourg	(LFr)	62.7422	+0.5053	899 - 944	62.8430	62.1310	62.5622	3.4	62.1922	3.5	60.4422	3.7	100.9
Netherlands	(Fl)	3.4213	+0.0281	194 - 232	3.4275	3.3879	3.4111	3.6	3.3902	3.6	3.2942	3.7	100.2
Norway	(NKr)	12.5376	+0.0833	296 - 455	12.5594	12.4327	12.5051	3.1	12.4441	3.0	12.1751	2.9	95.9
Portugal	(Es)	306.836	+2.238	577 - 095	307.300	304.110	306.68	0.6	306.15	0.9	302.082	1.6	91.6
Spain	(Pta)	255.797	+1.881	654 - 941	256.270	253.600	255.482	1.5	254.732	1.7	250.362	2.1	76.4
Sweden	(SKr)	13.0707	+0.0147	626 - 788	13.1235	13.0133	13.0432	2.5	12.9847	2.6	12.7282	2.6	85.6
Switzerland	(SFr)	2.4820	+0.0048	804 - 836	2.4922	2.4721	2.4711	5.3	2.4485	5.4	2.3483	5.4	105.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	105.7
Ecu	-	1.5362	+0.0102	350 - 373	1.5402	1.5241	1.5329	2.6	1.5257	2.7	1.4917	2.8	-
SDR†	-	1.221700	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6765	-0.0012	760 - 770	1.6782	1.6716	-	-	-	-	-	-	-
Brazil	(R$)	1.8129	-0.0012	121 - 136	1.8146	1.8074	-	-	-	-	-	-	-
Canada	(C$)	2.3134	+0.007	123 - 145	2.3169	2.3027	2.3066	3.6	2.2929	3.5	2.242	3.1	84.9
Mexico	(New Peso)	13.1789	-0.0534	666 - 912	13.2296	13.1666	-	-	-	-	-	-	-
USA	($)	1.6767	-0.0013	762 - 772	1.6785	1.6718	1.675	1.2	1.6714	1.3	1.6548	1.3	104.2
Pacific/Middle East/Africa													
Australia	(A$)	2.2682	+0.0053	667 - 696	2.2731	2.2586	2.2676	0.3	2.2657	0.4	2.2557	0.6	92.1
Hong Kong	(HK$)	12.9899	-0.0084	852 - 946	13.0025	12.9501	12.9889	0.1	12.9825	0.2	12.9274	0.5	-
India	(Rs)	59.8498	-0.0447	068 - 928	59.8928	59.6950	60.045	-3.9	60.4456	-4.0	62.1253	-3.8	-
Israel	(Shk)	5.9012	-0.0191	910 - 113	5.9278	5.8910	-	-	-	-	-	-	-
Japan	(Y)	193.852	-0.522	752 - 951	195.190	193.660	192.832	6.3	190.807	6.3	181.822	6.2	133.5
Malaysia	(M$)	4.4114	-0.0058	076 - 152	4.4193	4.3828	4.4157	-1.2	4.4237	-1.1	4.4423	-0.7	-
New Zealand	(NZ$)	2.5893	+0.0268	871 - 915	2.5947	2.5743	2.5892	0.1	2.5901	-0.1	2.5973	-0.3	107.5
Philippines	(Peso)	47.7189	-0.1029	208 - 170	48.6494	47.1658	47.8787	-4.0	48.1282	-3.4	49.1852	-3.1	-
Saudi Arabia	(SR)	6.2887	-0.0045	866 - 908	6.2962	6.2704	6.2852	0.7	6.2768	0.8	6.2403	0.8	-
Singapore	(S$)	2.4483	-0.0058	467 - 499	2.4605	2.4437	2.4437	2.3	2.4336	2.4	2.3854	2.6	-
South Africa	(R)	7.6692	-0.0041	644 - 740	7.6743	7.6464	7.7299	-9.5	7.8478	-9.3	8.2848	-8.0	-
South Korea	(Won)	1499.81	+2.24	601 - 361	1503.61	1495.59	-	-	-	-	-	-	-
Taiwan	(T$)	46.8470	-0.0014	995 - 945	46.8945	46.7084	46.8304	0.4	46.7906	0.5	46.593	0.6	-
Thailand	(Bt)	51.8939	+0.8087	946 - 932	51.9932	50.9280	52.2305	-7.8	52.6921	-6.2	53.7223	-3.5	-

† Rates for Jul 21. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 22		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	12.7546	+0.1149	515 - 577	12.7670	12.6300	12.7306	2.3	12.6816	2.3	12.4576	2.3	101.5
Belgium	(BFr)	37.4200	+0.329	000 - 400	37.4470	37.0700	37.345	2.4	37.1935	2.4	36.5	2.5	101.2
Denmark	(DKr)	6.9018	+0.0614	008 - 028	6.9098	6.8383	6.8901	2.0	6.8658	2.1	6.7594	2.1	102.6
Finland	(FM)	5.3490	+0.0495	452 - 527	5.3539	5.3003	5.3375	2.6	5.3139	2.6	5.22	2.4	81.2
France	(FFr)	6.1084	+0.0439	075 - 092	6.1205	6.0584	6.0968	2.3	6.073	2.3	5.9642	2.4	103.0
Germany	(DM)	1.8127	+0.0163	123 - 131	1.8145	1.7955	1.8089	2.5	1.8011	2.6	1.7661	2.6	101.6
Greece	(Dr)	283.580	+1.67	390 - 770	283.860	281.340	284.875	-5.5	286.93	-4.7	294.08	-3.7	64.6
Ireland	(I£)	1.4830	-0.011	820 - 840	1.4925	1.4804	1.4823	0.6	1.4813	0.5	1.4817	0.1	-
Italy	(L)	1761.00	+13.25	050 - 150	1765.00	1747.10	1762.77	-1.2	1765.78	-1.1	1769.2	-0.5	75.7
Luxembourg	(LFr)	37.4200	+0.329	000 - 400	37.4470	37.0700	37.345	2.4	37.1935	2.4	36.5	2.5	101.2
Netherlands	(Fl)	2.0405	+0.0183	400 - 410	2.0450	2.0212	2.0363	2.5	2.0276	2.5	1.99	2.5	100.9
Norway	(NKr)	7.4775	+0.0552	750 - 800	7.5020	7.4172	7.463	2.3	7.4346	2.3	7.3229	2.1	95.4
Portugal	(Es)	183.000	+1.47	900 - 100	183.100	181.430	182.964	0.2	182.91	0.2	181.74	0.7	92.6
Spain	(Pta)	152.560	+1.235	520 - 600	152.740	151.270	152.515	0.4	152.34	0.6	151.165	0.8	76.2
Sweden	(SKr)	7.7955	+0.0146	930 - 980	7.8328	7.7742	7.7864	1.4	7.7671	1.5	7.6931	1.3	85.0
Switzerland	(SFr)	1.4803	+0.004	798 - 808	1.4875	1.4750	1.4749	4.3	1.4643	4.3	1.4188	4.2	105.3
UK	(£)	1.6767	-0.0013	762 - 772	1.6785	1.6718	1.675	1.2	1.6714	1.3	1.6548	1.3	104.8
Ecu	-	1.0915	-0.0081	910 - 920	1.1000	1.0895	1.0929	-1.6	1.0961	-1.7	1.1117	-1.9	-
SDR†	-	0.72860	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	999 - 999	0.9999	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	1.0812	+0.0001	811 - 813	1.0813	1.0811	-	-	-	-	-	-	-
Canada	(C$)	1.3798	+0.0053	795 - 800	1.3821	1.3765	1.3766	2.7	1.3709	2.6	1.3503	2.1	85.0
Mexico	(New Peso)	7.8600	-0.026	550 - 650	7.8650	7.8490	7.9985	-16.6	8.1795	-16.3	9.09	-15.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	104.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3527	+0.0041	523 - 532	1.3532	1.3523	1.3525	0.2	1.3519	0.2	1.3476	0.4	93.6
Hong Kong	(HK$)	7.7473	+0.0008	468 - 478	7.7479	7.7480	7.7478	-0.1	7.7487	-0.1	7.751	0.0	-
India	(Rs)	35.6950	-	800 - 100	35.7100	35.6800	35.8325	-4.8	36.1175	-4.7	37.33	-4.8	-
Israel	(Shk)	3.5195	-0.0088	145 - 245	3.5365	3.5145	-	-	-	-	-	-	-
Japan	(Y)	115.615	-0.225	590 - 640	116.500	115.480	115.1	5.3	114.1	5.2	109.8	5.0	134.1
Malaysia	(M$)	2.6310	+0.0055	295 - 325	2.6360	2.6135	2.6355	-2.1	2.6445	-2.1	2.6745	-1.7	-
New Zealand	(NZ$)	1.5443	+0.017	434 - 451	1.5451	1.5434	1.5451	-0.6	1.5475	-0.8	1.5576	-0.9	-
Philippines	(Peso)	28.4600	-0.04	100 - 100	29.1000	28.1000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7507	+0.0001	505 - 508	3.7508	3.7505	3.7514	-0.2	3.7524	-0.2	3.7571	-0.2	-
Singapore	(S$)	1.4602	-0.0023	597 - 607	1.4665	1.4575	1.4585	1.4	1.4546	1.5	1.4352	1.7	-
South Africa	(R)	4.5740	+0.001	725 - 755	4.5755	4.5650	4.6143	-10.6	4.694	-10.5	4.9965	-9.2	-
South Korea	(Won)	894.500	+2	500 - 500	896.500	892.500	-	-	-	-	-	-	-
Taiwan	(T$)	27.9400	+0.02	200 - 600	27.9600	27.9200	27.951	-0.5	27.96	-0.3	28.0525	-0.4	-
Thailand	(Bt)	30.9500	+0.505	000 - 000	31.0000	30.4000	31.395	-17.3	32.1	-14.9	33.33	-7.7	-

† SDR rate per $ for Jul 21. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 18: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

July 22	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.10	-	4.75
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	8	-	-	6.75
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.75	6.25	6.82
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.50	2.90
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.46	5.54	5.63	5.79	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 22	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	3⅛ - 3	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	7 - 6⅞	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	1½ - 1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	3½ - 3¼	[illegible]	[illegible]	[illegible]
US Dollar	5½ - 5⅜	[illegible]	[illegible]	[illegible]	[illegible]	6 - 5⅞
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.55	96.56	+0.06	96.57	96.54	31,632	71,108
Dec	96.47	96.50	+0.05	96.50	96.47	9,802	34,343
Mar	96.41	96.43	+0.05	96.44	96.40	231	27,184

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.78	96.78	-0.01	96.78	96.76	14156	295952
Dec	96.67	96.65	-0.02	96.67	96.64	29596	265870
Mar	96.57	96.54	-0.02	96.57	96.54	30917	270252
Jun	96.40	96.39	-0.01	96.40	96.37	14963	190697

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Aug		96.86	-			0	490
Sep		96.83	-			0	298
Oct		96.82	-			0	265
Nov		96.80	-			0	50

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.31	93.33	+0.05	93.34	93.28	11384	110981
Dec	93.70	93.74	+0.06	93.74	93.68	11973	87020
Mar	94.04	94.10	+0.08	94.10	94.04	7225	51575
Jun	94.30	94.38	+0.11	94.39	94.30	6400	39744

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.43	98.49	+0.07	98.50	98.41	10017	59634
Dec	98.29	98.35	+0.07	98.36	98.26	7265	47933
Mar	98.21	98.25	+0.06	98.27	98.17	4414	19237
Jun	98.04	98.10	+0.08	98.11	98.03	1251	7839

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		99.33	+0.01			0	na
Dec		99.21	+0.02			0	na
Mar		99.02	+0.02			0	na

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.74	95.75	+0.02	95.76	95.74	779	10514
Dec	95.73	95.73	+0.03	95.74	95.72	457	7471
Mar	95.75	95.75	+0.02	95.76	95.75	562	5106
Jun	95.71	95.72	+0.03	95.72	95.71	80	3122

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9325	0.17	0.56	0.94	0.09	0.07	0.09
9350	0.06	0.37	0.74	0.23	0.13	0.14
9375	0.02	0.22	0.56	0.44	0.23	0.21

Est. vol. total, Calls 10243 Puts 679. Previous day's open int., Calls 113424 Puts 60235

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 22		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.44	16.32	4.844	1.802	4706	5.453	19.98	489.0	407.7	20.83	3.956	1.594	3.687	2.672	309.0	2.448
Denmark	(DKr)	54.22	10	8.850	2.626	0.977	2552	2.956	10.83	265.1	221.0	11.29	2.145	0.864	1.999	1.449	167.5	1.327
France	(FFr)	61.26	11.30	10	2.968	1.104	2883	3.340	12.24	299.6	249.8	12.76	2.423	0.976	2.259	1.637	189.3	1.500
Germany	(DM)	20.64	3.807	3.370	1	0.372	971.5	1.126	4.125	101.0	84.16	4.301	0.817	0.329	0.761	0.552	63.78	0.505
Ireland	(I£)	55.48	10.24	9.059	2.688	1	2612	3.026	11.09	271.4	226.2	11.56	2.195	0.884	2.046	1.483	171.5	1.359
Italy	(L)	2.125	0.392	0.347	0.103	0.038	100	0.116	0.425	10.39	8.663	0.443	0.084	0.034	0.078	0.057	6.565	0.052
Netherlands	(Fl)	18.34	3.382	2.994	0.888	0.330	863.0	1	3.665	89.68	74.77	3.820	0.725	0.292	0.676	0.490	56.66	0.448
Norway	(NKr)	50.04	9.230	8.169	2.424	0.902	2355	2.729	10	244.7	204.0	10.43	1.980	0.798	1.845	1.337	154.6	1.225
Portugal	(Es)	20.45	3.771	3.336	0.991	0.368	962.3	1.115	4.086	100	83.37	4.260	0.809	0.326	0.754	0.546	63.16	0.501
Spain	(Pta)	24.53	4.524	4.004	1.188	0.442	1154	1.338	4.901	120.0	100	5.110	0.970	0.391	0.904	0.655	75.78	0.601
Sweden	(SKr)	48.00	8.854	7.836	2.325	0.865	2259	2.618	9.592	234.8	195.7	10	1.899	0.765	1.770	1.283	148.3	1.175
Switzerland	(SFr)	25.28	4.662	4.126	1.225	0.455	1190	1.378	5.051	123.6	103.1	5.266	1	0.403	0.932	0.676	78.10	0.618
UK	(£)	62.74	11.57	10.24	3.039	1.131	2953	3.421	12.54	306.8	255.8	13.07	2.482	1	2.314	1.677	193.9	1.536
Canada	(C$)	27.12	5.002	4.427	1.314	0.489	1276	1.479	5.419	132.6	110.6	5.650	1.073	0.432	1	0.725	83.79	0.664
USA	($)	37.42	6.902	6.108	1.813	0.674	1761	2.041	7.478	183.0	152.6	7.796	1.480	0.596	1.380	1	115.6	0.916
Japan	(Y)	32.37	5.970	5.283	1.568	0.583	1523	1.765	6.468	158.3	132.0	6.743	1.280	0.515	1.193	0.865	100	0.792
Ecu	-	40.84	7.533	6.667	1.979	0.736	1922	2.227	8.162	199.7	166.5	8.508	1.618	0.651	1.506	1.092	126.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.5588	0.5538	-0.0051	0.5590	0.5530	12,786	114,557
Dec	0.5571	0.5576	-0.0049	0.5576	0.5570	67	1,219
Mar	-	0.5670	-	-	0.5660	113	513

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8677	0.8720	+0.0041	0.8720	0.8650	8,307	58,267
Dec	-	0.8820	+0.0029	0.8823	-	64	1,706
Mar	0.8885	0.8935	+0.0030	0.8935	0.8885	70	222

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6823	0.6780	-0.0044	0.6823	0.6765	7,346	53,002
Dec	0.6840	0.6845	-0.0049	0.6847	0.6840	34	1,392
Mar	-	0.6961	-	-	-	267	953

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.6750	1.6746	-0.0008	1.6760	1.6686	3,419	61,535
Dec	1.6680	1.6690	-0.0018	1.6690	1.6670	7	879
Mar	1.6670	1.6670	+0.0034	1.6670	1.6650	234	198

UK INTEREST RATES

LONDON MONEY RATES

Jul 22	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	8 - 6½	[illegible]	[illegible]	[illegible]	7¼ - 7⅛	7½ - 7⅜
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from Jul 10, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Jul 18, 6.5774pc. ECGD fixed rate Stlg. Export Finance. Make up day Jun 30, 1997. Agreed rate for period Jul 26, 1997 to Aug 25, 1997, Scheme III 7.86pc. Reference rate for period May 31, 1997 to Jun 30, 1997, Schemes IV & V 6.738pc. Finance House Base Rate 7pc from Jul 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.77	92.80	+0.03	92.81	92.77	11630	126132
Dec	92.58	92.60	+0.03	92.61	92.58	12374	126282
Mar	92.49	92.52	+0.04	92.53	92.49	9743	105739
Jun	92.50	92.52	+0.04	92.53	92.50	5885	72777
Sep	92.54	92.57	+0.05	92.58	92.54	3538	58295

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9275	0.13	0.09	0.13	0.08	0.24	0.36
9300	0.02	0.03	0.06	0.22	0.43	0.54
9325	0	0.01	0.03	0.45	0.66	0.78

Est. vol. total, Calls 3690 Puts 2785. Previous day's open int., Calls 172468 Puts 161194

EMS EUROPEAN CURRENCY UNIT RATES

Jul 22	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.736518	-0.001222	-7.79	12.31	52
Finland	5.85424	5.85406	+0.01276	-0.00	3.57	0
Italy	1906.48	1929.22	+2.36	1.19	2.35	-9
Portugal	197.398	200.206	+0.164	1.42	2.11	-10
Spain	163.826	166.993	+0.121	1.93	1.60	-13
Denmark	7.34555	7.55169	+0.01297	2.81	0.74	-18
Netherlands	2.16979	2.23285	+0.00443	2.91	0.64	-22
Germany	1.92573	1.98345	+0.00399	3.00	0.55	-30
Austria	13.5485	13.9556	+0.0273	3.01	0.54	-22
Belgium	39.7191	40.9467	+0.0752	3.09	0.46	-23
France	6.45863	6.68902	+0.00144	3.57	0.00	-30
NON ERM MEMBERS						
Greece	295.269	310.318	-0.396	5.10	-1.45	-
UK	0.793103	0.652390	-0.005766	-17.74	25.91	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
1.660	2.51	3.16	3.65	0.80	1.64	2.30
1.670	1.88	2.56	3.10	1.17	2.07	2.70
1.680	1.36	2.13	2.62	1.66	2.59	3.23

Previous day's vol., Calls 10 Puts 15. Prev. day's open int., Calls 30,981 Puts 34,984

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
0.550	0.97	1.31	1.55	0.27	0.43	0.62
0.555	0.66	1.00	1.25	0.45	0.63	0.82
0.560	0.44	0.74	0.99	0.65	0.88	1.06

Previous day's vol., Calls 5,076 Puts 25. Prev. day's open int., Calls 5,558 Puts 10,717

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.23	94.23	+1.57	94.23	94.22	29,277	527,986
Dec	94.06	94.06	-0.18	94.06	94.05	27,364	465,701
Mar	93.97	94.00	-0.23	94.00	93.98	26,546	324,867

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.88	94.88	-	94.88	94.88	2,577	7,839
Dec	94.75	94.75	-	94.75	94.75	40	639

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Aug	PUTS Sep	PUTS Oct	PUTS Dec
9675	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9700	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9725	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9850	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9875	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	Scottish Widows Bank	6.75
Allied Irish Bank (GB)	6.75	Exeter Bank Limited	7.75	●Singer & Friedlander	8.75
●Henry Ansbacher	6.75	Financial & Gen Bank	7.50	●Smith & Williamson Secs	6.75
Bank of Baroda	6.75	●Robert Fleming & Co	6.75	Sun Banking Corp Ltd	8.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	TSB	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	United Bank of Kuwait	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Unity Trust Bank Plc	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Western Trust	8.75
Bank of Scotland	6.75	C. Hoare & Co	6.75	Whiteaway Laidlaw	6.75
Barclays Bank	6.75	Hongkong & Shanghai	6.75	Yorkshire Bank	6.75
Brit Bk of Mid East	6.50	Investec Bank (UK) Ltd	6.75		
●Brown Shipley & Co Ltd	6.75	●Julian Hodge Bank	6.75	● Members of London Investment Banking Association	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75	* In administration	
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Midland Bank	6.75		
Coutts & Co	6.75	NatWestminster	6.75		
Cyprus Popular Bank	6.75	●Rea Brothers	6.75		
		Royal Bk of Scotland	6.75		

DEUTSCHLAND INVESTMENT CORPORATION INC.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of the above-named Company will be held at the offices of Slaughter and May, 112 Avenue Kléber, 75116 Paris on the 30th day of July 1997 at 4:30 p.m. (Paris time) for the purpose of considering and, if thought fit, passing the following as Ordinary Resolutions:

Ordinary Resolutions

1. *That the appointment of Electra Fleming German Managers Limited as investment manager in place of Robert Fleming Management (Jersey) Limited and that the proposed Investment Management Agreement and the proposed Termination Agreement in relation to the current Investment Management Agreement in the form produced to the meeting and initialled by the Chairman be and are hereby approved and that the directors be and are hereby authorised to take such action as they consider necessary to give effect thereto.*

2. *That the investment restrictions in the form produced to the meeting and initialled by the Chairman be and are hereby approved in place of the current investment restrictions.*

Voting arrangements for Bearer shares

Shareholders who wish to vote must observe the following procedures: Shareholders must deliver the Bearer shares to the Depositary at the latest on 28th July 1997 by 4:30 p.m. at the address given below (Securities Dpt. telephone 322-508 54 44; telex 21752 MORBK B), instruct the Depositary as to the manner in which votes should be cast and indicate to whom the IDRs should be returned after the Meeting or instruct Euroclear or Cedel to block the number of shares for which they want to vote and to vote on their behalf.

Depositary: Morgan Guaranty Trust Company of New York, 35, Avenue des Arts, 1040 Brussels

JP Morgan

COMMODITIES AND AGRICULTURE

More aluminium drink cans recycled

By Kenneth Gooding, Mining Correspondent

Aluminium beverage can recycling – which the aluminium industry promotes heavily to give itself a "green" image – continued to increase last year in Europe, Japan and the US. But the US industry is far from satisfied and is to reinvigorate its can recycling campaign.

Apart from giving the right image, cans provide the industry with cheaper metal because, if they are recycled on a "closed-loop" system (from cans to scrap and back to cans again) they save as much as 95 per cent of the energy needed to produce new aluminium. Also, the capital cost of a recycling plant is only one-tenth that for a smelter.

Japan's aluminium can recycling rate overtook that of the US for the first time in 1995 and last year moved up strongly again, from 65.7 per cent to 70.2 per cent. The jump came because more towns, supermarkets and other businesses separated waste into various categories, according to Japan's Aluminium Can Recycling Association. It estimated 190,391 tonnes of cans were recycled last year.

This is well below the US level, which was about 894,000 tonnes. The US recycling rate moved up by 1.3 points to 63.5 per cent. The US Aluminum Association suggests aluminium is the most valuable material to be recycled – the US industry paid about $1.08bn for used beverage cans last year.

The US association has set itself a goal of lifting the recycling rate to 75 per cent by the turn of the century. The new target was set after a challenge was made to the industry by Mr Brian Sturgell of Alcan, the Canadian group, who pointed out at the association's Alumitech conference in May that US consumers today believe virtually any material was recyclable.

One of the main components in the strategy, therefore, will be to remind consumers about aluminium's value. It is worth about 10 times as much as other used packaging and the aluminium can is the only recycled beverage container to cover the cost of recycling.

In Europe, excluding central and eastern Europe, the aluminium can recycling rate moved up by 6.5 points to 37 per cent last year. This involved about 75,000 tonnes of aluminium being returned to the economy, according to Aluminium Can Recycling Europe.

Mr Alexander Wirtz, general manager for Acre, points out that recycling rates vary from country to country because of variations in sizes of national drink can markets, per capita consumption, aluminium's share of the markets, the types of collection infrastructures, national cultures, and different levels of environmental awareness.

For example, Sweden's recycling rate last year remained at 91 per cent because it has a mandatory deposit scheme. The poorest result in the 17 western European countries monitored by Acre came from France, with a rate of 14 per cent.

Switzerland, Germany, Norway, Iceland and Finland are also keen can recyclers, with rates of 87 per cent, 81 per cent, 80 per cent and 80 per cent respectively. Joining France among the laggards are Portugal, at 17 per cent; Spain, 19 per cent; and Ireland, 20 per cent.

Fischler stays cool under fire

By Alison Maitland

Everyone knows it will not be easy to reach Europe-wide agreement on reforming the Common Agricultural Policy. But yesterday brought a glimpse of just how intractable the negotiations are likely to be.

Mr Franz Fischler, the farm commissioner, answered questions by satellite from agriculture journalists around the European Union on the Agenda 2000 reforms unveiled in Brussels last week.

The questions came thick and fast from Athens, Helsinki, the Hague, London and Dublin. There were few common themes, little consensus and much preoccupation with the individual concerns of each country.

Asked about the hostile response of some continental European farming lobbies to the reforms, Mr Fischler said: "We've got to be aware that the taxpayer is asking more and more why we're spending this money, and on what? The readiness of governments to finance surpluses in this way has also disappeared."

Irish journalists wanted to know if the next round of CAP reform would be any more successful than the 1992 MacSharry reforms in making food cheaper in the shops. Mr Fischler said that was the aim – but retail price reductions depended on the level of competition in each member state.

"It's up to member states to ensure the price effect is passed on by pursuing the appropriate national consumer policy," he said. "It's important that the reduction in prices should trickle down to the consumer."

From northern Europe he came under pressure to comment on the merits of intensive versus non-intensive beef production, while from Athens in the south came bitter criticism about the lack of compensation payments to the olive oil sector.

Franz Fischler: quizzed by journalists over CAP reforms

Mr Fischler expressed some astonishment. "But there are not going to be any price reductions in this sector," he said. "Indeed, we're attempting to structure the sector to maximise the market outlets."

Next he had to defend himself against charges from the UK that the proposals were woefully short of a role for environmentally friendly farming. "We're coming up with a whole series of proposals aimed at improving the environmental conditions related to agricultural practices," he insisted.

The details of the reforms had yet to be fleshed out. But some farmers' organisations criticised the proposals as "too environmentally-friendly", taking insufficient account of the demands of agricultural production.

"So I think perhaps we're going in the right direction," he smiled.

Mr Fischler remained cool under fire. No doubt he saw the satellite interchange as a gentle induction to the real fight ahead, when detailed proposals are discussed formally by EU farm ministers in the autumn.

Fund buying boosts sugar

MARKETS REPORT

By Gary Mead and Kenneth Gooding

The normally lacklustre sugar futures markets in London and New York showed signs of renewed interest yesterday, with steady investment fund buying driving up prices.

On the London International Financial Futures Exchange the screen-traded sugar contract for the nearest month, October, reached a peak of $328 a tonne in afternoon trading – the highest since September last year and close to the contract high of $329.70.

On New York's Coffee, Sugar and Cocoa Exchange the October contract reached a record 11.65 cents a pound, though later fell back to 11.56 cents, 0.3 cents higher on the day. Specialists said no new fundamental factors were influencing the market and the interest was driven by fund speculation.

Elsewhere on Liffe, robusta coffee futures for September rallied slightly after falling to a six-month low of $1,477 a tonne in the afternoon. By the close they had recovered to $1,505, down $42 on the previous day. That was better than some had anticipated, given that weather forecasters are now almost certain that Brazil's crop will escape frost. The September contract also improved on the CSCE: in later trading it had gained 11.65 cents to 170.50 cents a pound amid renewed fund interest.

Cocoa continued in the doldrums on projections of good crops in Ivory Coast and elsewhere. On Liffe the September contract ended £10 lower at £975 a tonne, having slipped as low as £968 earlier in the day.

London Metal Exchange zinc moved to a seven-year high of $1,552.50 a tonne in late trading and also briefly went into backwardation – when there is a premium for immediate delivery. One analyst suggested some investment funds had been squeezing the market.

Stocks of copper in LME warehouses rose by a hefty 11,600 tonnes to 195,950 tonnes. The premium for copper for immediate delivery, compared with three-month metal, eased from $129 a tonne overnight to $88 at one point. By the close it was back to $100 a tonne.

COMMODITIES NEWS DIGEST

Breakwater in two zinc deals

Breakwater Resources of Canada is digging deeper into zinc production with two deals in two days. The company, which already has two mines scheduled to produce 120,000 tonnes of zinc, 22,000 tonnes of lead and 2m ounces of silver this year, is to buy the assets of the Bougrine lead-zinc mine in Tunisia, which closed last year because of low prices, as well as the El Toqui zinc-gold mine in Chile.

Breakwater will pay US$19.3m for Bougrine and will spend $7m to upgrade it. Bougrine cost $80m to develop and Inmet of Canada, which owned 48 per cent, has already written off all its investment. In 1995 Bougrine produced 75,768 tonnes of zinc and 9,386 tonnes of lead.

El Toqui has three mines, two at present out of production. The third, Dona Rosa, last year produced 32,423 tonnes of zinc and 6,250 ounces of gold. Breakwater, which is paying Barrick Gold $6m in cash, putting in working capital and paying a royalty on El Toqui's output, said the two deals will increase its proven and probable zinc reserves by 50 per cent as well as boost earnings and cash flow. *Kenneth Gooding*

■ TURKISH MINING

Eurogold denies suspension

Eurogold, the joint venture company developing Turkey's first gold mine, yesterday denied that it was suspending operations on the orders of the country's supreme court. Mr Jack Testard, the general manager of Eurogold, said he had received no official communication from the court. He said construction work at the mine was continuing normally and that he expected production to start at the end of the year as planned. Eurogold plans to produce at least three tonnes of gold a year.

Eurogold is two-thirds owned by La Source, a joint venture between Australia's Normandy Poseidon and BRGM, France's privatised geological survey. Inmet Corporation of Canada owns the remaining one-third.

The company has invested $15m in the project but has run into fierce resistance from local villagers, left-wing politicians and environmentalists alarmed by its planned use of cyanide to extract gold from the ore. *John Barham, Ankara*

■ OIL EXPLORATION

Greece signs agreement

Greece yesterday signed an exploration agreement with a consortium of international oil companies to prospect in western Greece. Development ministry officials said the companies would invest over $37m over the next six years in exploring two separate concessions.

Enterprise Oil of the UK; Union Texas, the US producer; and MOL of Hungary, are to prospect two onshore blocks in the north-western Peloponnese and Epirus, south of Albania's oil-producing region and drill exploratory wells. Greece's state-owned oil exploration company, DEP-EKY, will have a 12 per cent stake in the consortium and would participate in developing any oilfield discovered, the officials said. *Kerin Hope, Athens*

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1588-89	1609.5-10.0
Previous	1585-86	1610-11
High/low		1617-1596
AM Official	1579-79.5	1601.5-02.0
Kerb close		1614-15
Open int.	270,644	
Total daily turnover	92,585	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1418-23	1447-48
Previous	1420-25	1448-50
High/low		1449/1435
AM Official	1410-15	1440-41
Kerb close		1448-53
Open int.	5,368	
Total daily turnover	1,045	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	630-31	640-41
Previous	642-3	651-2
High/low		645/634
AM Official	627-28	637.5-38.0
Kerb close		645-46
Open int.	36,431	
Total daily turnover	8,649	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6650-60	6765-70
Previous	6685-95	6800-05
High/low		6900/6755
AM Official	6715-10	6842-45
Kerb close		6760-65
Open int.	50,364	
Total daily turnover	13,333	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5325-35	5380-90
Previous	5375-85	5425-35
High/low		5425/5380
AM Official	5320-30	5375-80
Kerb close		5380-70
Open int.	14,767	
Total daily turnover	3,792	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1531-32	1531-32
Previous	1523-4	1532.5-3.0
High/low		1545/1523
AM Official	1526-27	1526-26.5
Kerb close		1543-44
Open int.	96,179	
Total daily turnover	44,722	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2395-98	2300-01
Previous	2470-73	2327-8
High/low	2440/2395	2325/2286
AM Official	2432-35	2313-14
Kerb close		2299-300
Open int.	140,537	
Total daily turnover	59,936	

■ LME AM Official £/$ rate: 1.6764
LME Closing £/$ rate: 1.6775

Spot 1.6739 3 mths: 1.6686 6 mths: 1.6630 9 mths: 1.6576

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	109.90	-1.00	109.90	108.50	353	4,144
Aug	107.35	-1.70	108.20	106.30	79	3,528
Sep	106.85	-1.70	108.10	105.85	4,705	21,569
Oct	105.65	-1.40	106.00	105.40	20	1,484
Nov	105.30	-1.65	105.00	105.00	24	1,231
Dec	104.25	-1.40	105.00	103.30	528	7,701
Total					5,777	47,906

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	327.75-328.25		
Opening	325.40-325.70		
Morning fix	326.00	194.790	482.643
Afternoon fix	328.25	195.527	486.795
Day's High	328.80-329.10		
Day's Low	325.10-325.40		
Previous close	326.50-327.00		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.36	6 months	3.60
2 months	3.43	12 months	3.84
3 months	3.56		

Silver Fix	p/troy oz.	US cts equiv.
Spot	255.75	428.00
3 months	259.40	432.75
6 months	263.45	438.05
1 year	271.40	448.15

Gold Coins	$ price	£ equiv.
Krugerrand	323-325	193-194
Maple Leaf	-	-
New Sovereign	76-78	45-47

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	325.3	-0.2	-	-	1	1
Aug	326.0	-0.2	330.2	325.4	34,996	87,703
Sep	326.7	+0.1	321.7	321.7	50	52
Oct	327.7	-0.1	331.8	327.0	1,135	11,335
Dec	329.4	-0.3	333.5	328.8	10,085	49,145
Feb	331.6	-0.3	336.2	332.5	78	10,272
Total					46,052	212,496

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	421.2	+9.7	422.0	418.0	29	335
Oct	409.2	+9.7	411.0	397.5	589	9,828
Jan	401.2	+6.7	401.5	396.0	26	1,870
Apr	400.2	+6.7	396.0	396.0	20	153
Total					664	12,186

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	180.00	+8.70	180.30	173.00	486	3,884
Dec	174.00	+8.70	173.06	171.50	76	965
Mar	172.50	+8.70	-	-	-	25
Jun	171.00	+8.70	-	-	2	107
Total					563	4,981

■ SILVER COMEX (5,000 Troy oz., Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	427.5	+4.5	431.5	430.0	12	148
Aug	427.6	+4.5	-	-	-	-
Sep	430.3	+4.5	436.0	425.5	5,155	61,813
Dec	436.5	+4.5	442.0	432.5	349	15,838
Jan	438.2	+4.5	-	-	2	20
Mar	442.6	+4.5	447.0	441.0	87	9,442
Total					5,535	96,836

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	19.21	+0.03	19.39	19.15	37,259	20,060
Sep	19.49	+0.07	19.56	19.39	41,377	86,195
Oct	19.56	+0.06	19.81	19.50	10,475	48,585
Nov	19.64	+0.06	18.65	19.56	4,525	24,325
Dec	19.66	+0.05	19.67	19.58	5,482	48,590
Jan	19.70	+0.05	19.70	19.64	2,293	25,503
Total					108,887	413,189

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	18.18	+0.09	18.26	18.12	8,027	80,835
Oct	18.25	+0.05	18.31	18.20	2,380	28,162
Nov	18.36	+0.06	18.42	18.33	877	11,258
Dec	18.46	+0.06	18.52	18.43	515	17,033
Jan	18.49	-	18.39	18.36	278	13,003
Feb	18.48	+0.07	18.50	18.48	127	5,203
Total					12,106	165,899

■ HEATING OIL NYMEX (42,000 US galls., c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	52.65	+0.30	52.75	52.15	8,848	26,228
Sep	53.25	+0.36	53.30	52.70	7,691	31,340
Oct	53.95	+0.36	54.00	53.50	2,356	23,868
Nov	54.90	+0.41	54.95	54.49	1,817	16,806
Dec	55.75	+0.41	55.80	55.30	1,775	17,101
Jan	56.40	+0.46	56.40	56.00	1,096	14,803
Total					25,672	154,371

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	163.00	+0.50	164.00	162.25	5,029	18,494
Sep	164.75	+0.50	165.75	164.00	3,730	10,305
Oct	167.00	+0.50	167.75	166.75	857	8,071
Nov	168.75	+0.50	169.25	168.50	689	5,755
Dec	170.25	+0.50	170.75	170.00	402	10,477
Jan	171.00	+0.50	171.25	171.00	114	6,459
Total					11,419	70,062

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	2.126	+0.041	2.130	2.078	22,397	29,980
Sep	2.085	+0.027	2.090	2.055	13,893	30,710
Oct	2.100	+0.025	2.105	2.061	5,563	24,316
Nov	2.250	+0.030	2.250	2.220	1,685	11,925
Dec	2.395	-0.018	2.395	2.370	1,466	15,507
Jan	2.430	-0.023	2.440	2.400	2,305	15,925
Total					61,989	205,224

■ UNLEADED GASOLINE
NYMEX (42,000 US galls., c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	60.00	-0.04	60.65	59.70	11,997	26,754
Sep	57.75	+0.13	58.20	57.60	8,139	26,435
Oct	56.10	+0.18	56.40	55.30	1,249	9,255
Nov	55.40	+0.33	55.40	55.40	204	4,397
Dec	55.00	+0.33	56.20	55.00	578	7,098
Jan	56.15	+0.28	55.15	55.00	391	5,979
Total					22,716	86,004

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	80.35	-0.65	-	-	-	236
Nov	82.35	-0.65	82.50	81.80	249	3,855
Jan	84.25	-1.00	84.55	84.00	178	2,072
Mar	86.35	-0.90	86.75	86.00	220	1,060
May	88.25	-1.00	88.75	88.25	100	773
Total					747	8,022

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	342.00	+9.50	341.50	338.50	201	100
Sep	349.75	+9.50	353.00	340.50	14,911	42,875
Dec	363.25	+9.50	365.00	354.25	8,021	38,665
Mar	374.00	+9.50	374.75	368.80	826	7,979
May	371.00	+8.00	374.00	371.00	30	1,192
Jul	373.75	+7.25	374.50	368.00	127	3,934
Total					24,116	94,768

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	271.00	+7.25	271.00	264.00	3,392	2,062
Sep	247.50	+2.25	248.50	244.25	16,558	64,028
Dec	248.50	+1.75	249.50	245.00	42,190	147,991
Mar	256.25	+1.75	257.25	254.00	3,806	28,575
May	261.25	+1.75	262.00	259.00	243	5,923
Jul	264.25	+1.75	265.00	262.50	609	8,152
Total					67,027	263,998

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	75.75	+0.50	76.00	76.00	-	33
Nov	78.25	-0.50	78.75	78.25	68	1,067
Jan	80.25	-0.50	80.75	80.25	45	205
Mar	82.00	-0.50	82.50	82.00	12	33
May	83.25	-0.50	-	-	-	9
Total					130	1,347

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	778.50	+1.00	779.50	757.00	1,138	992
Aug	735.25	-3.75	744.50	730.00	11,295	26,240
Sep	644.75	-0.25	651.50	638.00	2,811	13,779
Nov	601.00	+4.00	604.00	593.50	26,226	73,409
Jan	602.50	+2.00	607.00	598.00	1,148	15,005
Mar	613.25	+4.50	615.00	607.50	798	5,017
Total					44,316	140,758

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	21.68	-0.10	21.85	21.72	115	180
Aug	21.69	-0.15	21.88	21.65	3,766	18,467
Sep	21.83	-0.16	22.00	21.00	2,734	17,643
Oct	21.90	-0.20	22.10	21.88	631	14,633
Dec	22.11	-0.18	22.40	22.05	4,718	42,008
Jan	22.20	-0.17	22.35	22.31	300	5,856
Total					13,300	104,420

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	277.5	+2.5	278.5	271.0	2,658	1,237
Aug	245.7	+0.1	248.7	241.8	9,381	25,470
Sep	221.3	+1.2	223.0	218.0	2,770	17,261
Oct	202.5	+1.7	202.5	199.0	1,071	14,268
Dec	195.7	+2.0	196.5	192.0	5,813	39,322
Jan	193.5	+1.5	194.5	191.0	436	5,641
Total					23,832	118,161

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	55.0	+6.0	60.0	60.0	-	8
Mar	72.0	-7.0	-	-	-	-
Apr	81.0	-8.0	89.0	81.0	94	1,107
May	92.0	-7.0	-	-	-	2
Jun	102.0	-7.0	-	-	-	-
Total					98	1,118

■ FREIGHT (BIFFEX) LIFFE ($10/Index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1305	-10	1310	1300	44	991
Aug	1250	-28	1250	1245	89	940
Sep	1275	-23	1275	1270	42	343
Oct	1391	-27	1405	1389	54	1,332
Jan	1425	-8	1425	1425	-	166
Total					234	3,782

	Close	Prev
BFI	1353	1392

FUTURES DATA
All futures data supplied by CMS.

Minor metals
European free market, from Metal Bulletin. $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). **Antimony:** 99.65%, $ per tonne, 1,950-2,040. **Bismuth:** min. 99.99%, tonne lots 3.65-3.85. **Cadmium:** min. 99.95%, cents a pound, 48.00-58.00. **Cobalt:** MB free market, min. 99.8%, 22.15-23.50 (22.00-23.50); min. 99.3%, 19.00-20.00. **Mercury:** min. 99.99%, $ per 76 lb flask, 150-160. **Molybdenum:** drummed molybdic oxide, 4.40-4.55 (4.45-4.60). **Selenium:** min 99.5%, 1.90-2.90. **Tungsten ore:** standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 45-55. **Vanadium:** min. 98%, CIF, 3.98-4.02 (3.95-4.00). **Uranium:** Nuexco unrestricted exchange value, 9.70.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	961	-10	970	970	100	193
Sep	975	-10	985	968	3,565	27,060
Dec	1012	-7	1020	1005	2,205	39,527
Mar	1036	-7	1043	1030	1,369	47,802
May	1052	-7	1055	1048	319	20,317
Jul	1067	-6	1071	1062	246	7,067
Total					8,902	170,686

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1502	-2	1507	1485	5,685	28,625
Dec	1549	-3	1552	1535	1,916	23,448
Mar	1585	-5	1587	1573	2,398	23,036
May	1605	-5	1603	1603	44	10,147
Jul	1623	-5	1624	1618	10	1,222
Sep	1643	-5	1640	1640	-	3,705
Total					10,215	100,804

■ COCOA (ICCO) (SDR's/tonne)

Jul 21	Price	Prev. day
Daily	1185.97	1209.27

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1485	-42	1503	1483	170	626
Sep	1505	-42	1540	1477	3,811	22,544
Nov	1495	-40	1520	1472	1,758	14,026
Jan	1465	-42	1505	1445	591	4,702
Mar	1440	-42	1450	1430	48	1,279
May	1425	-42	-	-	-	87
Total					6,378	43,264

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	169.10	+10.25	170.50	158.00	4,039	11,518
Dec	151.75	+5.80	152.00	145.50	1,158	5,822
Mar	140.00	+3.50	141.00	136.00	388	2,994
May	135.25	+3.25	137.00	132.00	146	854
Jul	132.65	+3.90	130.00	129.00	106	400
Sep	129.40	+3.65	128.00	126.50	27	243
Total					5,939	21,973

■ COFFEE (ICO) (US cents/pound)

Jul 21		Prev. day
Comp. daily	125.20	129.46
15 day average	134.28	135.27

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	329.7	+5.0	330.2	325.0	3,322	13,343
Dec	323.8	+3.6	324.0	320.2	371	5,121
Mar	324.5	+3.7	325.2	322.5	310	5,773
May	318.0	-1.2	323.5	321.5	145	1,316
Aug	316.0	-0.2	-	-	-	907
Oct	309.5	+1.0	310.1	309.0	90	1,838
Total					4,288	28,298

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.59	+0.33	11.65	11.31	5,968	92,107
Mar	11.77	+0.27	11.82	11.53	6,346	49,409
May	11.66	+0.25	11.67	11.44	1,236	10,940
Jul	11.55	+0.21	11.56	11.37	78	5,421
Oct	11.46	+0.23	11.50	11.30	169	2,345
Mar	11.36	+0.23	-	-	1	735
Total					13,828	161,807

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	74.58	-	75.10	74.50	384	11,595
Dec	74.58	-	75.15	74.45	3,079	43,653
Mar	75.85	-	76.37	75.80	713	9,653
May	76.50	-	76.80	76.80	79	2,536
Jul	76.95	-	77.00	77.00	25	1,497
Oct	75.00	+0.03	75.00	75.00	1	316
Total					4,240	74,477

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	73.95	-1.05	75.40	73.50	812	19,301
Nov	76.30	-1.20	77.70	76.25	163	7,113
Jan	79.50	-0.90	80.60	79.50	224	2,910
Mar	82.30	-1.00	84.00	82.50	59	2,034
May	85.50	-0.55	85.50	85.50	33	420
Jul	88.25	-0.55	-	-	10	97
Total					1,258	31,913

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Jul 22	Jul 21	month ago	year ago
1884.4	1897.3	1992.0	1987.5

■ CRB Futures (Base: 1967 = 100)

Jul 21	Jul 18	month ago	year ago
234.19	234.19		

■ GSCI Spot (Base: 1970 = 100)

Jul 21	Jul 18	month ago	year ago
182.76	184.28	184.19	198.54

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-4,750	to	646,925
Aluminium alloy	-240	to	56,160
Copper	11,550	to	195,950
Lead	+125	to	118,000
Nickel	+6	to	54,078
Zinc	-4,725	to	406,925
Tin	-205	to	11,640

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	65.775	-0.275	66.200	65.675	5,570	30,721
Oct	68.700	-0.55	69.350	68.625	3,816	36,563
Dec	71.100	-0.625	72.100	71.050	2,691	16,280
Feb	73.100	-0.55	73.775	73.000	923	9,014
Apr	74.950	-0.5	75.525	74.875	127	3,529
Jun	71.500	-0.55	72.100	71.500	138	2,611
Total					13,282	98,922

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	80.250	-1	81.250	80.300	2,795	12,534
Oct	72.450	-1.375	73.700	72.300	1,995	12,279
Dec	69.300	-1	70.000	69.250	399	5,433
Feb	67.700	-1.1	68.500	67.550	65	1,940
Apr	63.250	-0.975	64.100	63.200	30	1,302
Jun	66.625	-0.875	67.525	66.550	18	748
Total					5,302	34,928

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jul	85.800	+0.3	86.200	84.500	58	380
Aug	83.275	+0.05	84.350	82.500	2,110	4,310
Feb	70.375	+0.275	71.100	69.900	273	1,142
Mar	69.500	-0.175	69.900	69.900	3	23
May	72.500	-	-	72.000	1	2
Total					2,445	5,870

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Aug	Nov	Aug	Nov
1550	73	109	17	36
1600	42	80	36	55
1650	21	57	65	81
■ COPPER (Grade A) LME	**Aug**	**Nov**	**Aug**	**Nov**
2300	105	97	54	126
2350	78	77	76	155
2400	56	61	105	187
■ COFFEE LIFFE	**Sep**	**Nov**	**Sep**	**Nov**
1550	73	110	118	237
1600	57	95	152	276
1650	45	82	190	317
■ COCOA LIFFE	**Sep**	**Dec**	**Sep**	**Dec**
1000	22	73	47	81
1025	15	61	65	74
1050	12	51	87	89
■ BRENT CRUDE IPE	**Sep**	**Oct**	**Sep**	**Oct**
1800	64	90	41	-
1850	37	66	-	-
1900	22	43	-	-

LONDON SPOT MARKETS

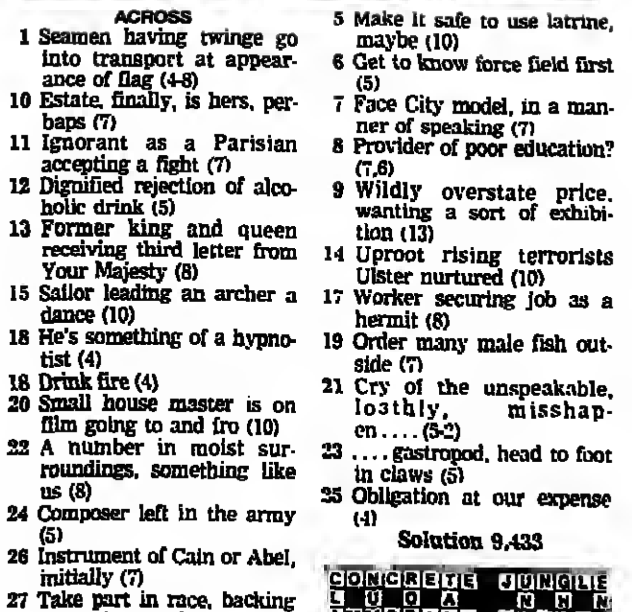
■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$17.11-7.16	+0.150
Brent Blend (dated)	$18.39-8.49	+0.300
Brent Blend (Sep)	$18.19-8.23	+0.160
W.T.I.	$19.55-9.57w	+0.210
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$197-199	+3
Gas Oil	$163-165	+0.5
Heavy Fuel Oil	$83-85	-1
Naphtha	$183-186	
Jet fuel	$178-180	-1
Diesel	$166-168	
■ NATURAL GAS (Pence/therm)		
Bacton (Aug)	8.60-8.70	-0.15
Petroleum Argus. Tel. London (0171) 359 8792		
IPE (Aug)	8.700	-0.080
■ OTHER		
Gold (per troy oz)♣	$328.00	+1.25
Silver (per troy oz)♣	436.00c	-6.00
Platinum (per troy oz.)	$421.00	+7.50
Palladium (per troy oz.)	$198.50	+7.50
Copper	115.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	13.27r	
Tin (New York)	255.5	
Cattle (live weight)	97.59p	-2.27*
Sheep (live weight)	110.10p	-1.81*
Pigs (live weight)†	82.66p	-6.92*
Lon. day sugar (raw)	$275.00	+0.30
Lon. day sugar (wte)	$336.50	+1.70
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Aug)♥	59.50p	-1.50
Rubber (Sep)♥	61.00p	-1.25
Rubber (KL RSS No1)	240.0x	+1.50
Coconut Oil (Phil)§	575.0y	-22.5
Palm Oil (Malay.)§	587.5z	-15.0
Copra (Phil)§	$395.0y	-2.5
Soyabeans (US)	195.0	-2.0
Cotton Outlook'A' index	81.55c	
Wooltops (64s Super)	423p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jul/Aug. z Aug. w Sep. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 577 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,434 Set by DOGBERRY



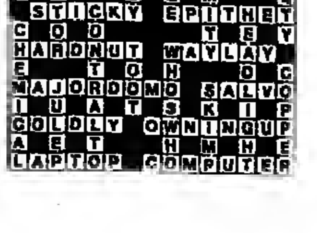
ACROSS

1 Seamen having twinge go into transport at appearance of flag (4-8)
10 Estate, finally, is hers, perhaps (7)
11 Ignorant as a Parisian accepting a fight (7)
12 Dignified rejection of alcoholic drink (5)
13 Former king and queen receiving third letter from Your Majesty (8)
15 Sailor leading an archer a dance (10)
18 He's something of a hypnotist (4)
18 Drink fire (4)
20 Small house master is on film going to and fro (10)
22 A number in moist surroundings, something like us (8)
24 Composer left in the army (5)
26 Instrument of Cain or Abel, initially (7)
27 Take part in race, backing Spectator against dancer (7)
28 Licence arranged in Southern Antipodes (12)

DOWN

2 Origin of the fixer's control mechanism (7)
3 Wine-induced memories linger on (8)
4 Ignore the question but get through the exam (4)
5 Make it safe to use latrine, maybe (10)
6 Get to know force field first (5)
7 Face City model, in a manner of speaking (7)
8 Provider of poor education? (7,6)
9 Wildly overstate price, wanting a sort of exhibition (13)
14 Uproot rising terrorists Ulster nurtured (10)
17 Worker securing job as a hermit (8)
19 Order many male fish outside (7)
21 Cry of the unspeakable, loathly, misshapen.... (5-2)
23 .... gastropod, head to foot in claws (5)
25 Obligation at our expense (4)

Solution 9,433



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BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK: Fwd Advisers 0800 414181 · Jersey: 01534 71696
Private Clients 0800 414161
From O'seas (44) 1732 777377 · Hong Kong (852) 848 1000

	Init Charge	Selling Price	Buying Price	+ or -	Yield Grs
A$ Accum		A$18.894		+0.002	4.40
C$ Accum		C$19.987		+0.001	2.39
DM Accum		DM28.875		+0.002	2.00
DFl Accum		Dfl32.063		+0.002	2.80
ECU Accum		Ecu13.789		+0.001	3.00
FFr Accum		FFr88.109		+0.004	2.10
HK$ Accum		HK$125.31		+0.01	4.90
Lire Accum		L24721		+4	3.90
NZ$ Accum		NZ$41.875		+0.005	6.50
£ Accum		£13.928		+0.002	5.00
SFr Accum		SFr28.485		—	0.20
US$ Accum		$24.294		+0.005	4.80
Yen Accum		Y2682.4		—	0.10

Prices for dealing July 22

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

CROSSWORD

Offshore Funds and Insurances

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LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

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Offshore Insurances and Other Funds

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	Selling Price	Buying Price	+ or -	Yield Gross
PanEuroLife societe anonyme				
30 Av Marie-Thérèse, Luxembourg 00 352 456730				
French Balanced Jul 16	FFr6224.48		+37.07	-
German/Eurpean Jul 16	DM3035.43		+24.37	-
Global Equities Jul 16	$1852.72		[illegible]	-
UK Secure Gth Jul 16	[illegible]		[illegible]	-
US Secure Growth Jul 16	$1474.83		+22.98	-
Intl Bond Ecus Jul 16	Ecu1804.67		+47.70	-
Fund of Funds Jul 16	Ecu1509.87		+24.18	-
USD 2004	[illegible]		+0.95	-
Premier Life				
1 Rue Emile Bian, Luxembourg				
Matheson £ Fund	$1 100	1.170	-	-
Matheson $ Fund	$1.079	1.140	-	-
Argent Bond	£18.040	19.310	-	-
Argent Equity Bls	£19.110	20.450	-	-
OFS Aggressive $	$1.48	1.47	-	-
OFS Mngd Growth $	$1.94	1.95	-0.01	-
OFS Dir Balanced Port	$1.62	1.63	+0.01	-
CH 10	SFr1 Jul	2.89	-	-
UK 10	$1 Jul	2.82	-	-
Professional Investment Consultants				
Premier Lux $	$7.480	1.530	-	-
Premier Lux £	£1.370	1.440	-	-
PCI Worldwide Opps	$1.300	1.400	-	-
Royal Life International				
Pension Growth A	£1.732	1.803	-	-
Royal Life UK Mngd Fd	£2.497	2.698	+0.003	-
Royal Life Gilt Fd	£2.908	2.097	+0.002	-
Royal Life UK Eqn Fd	£2.236	2.457	-	-
Royal Life Euro Fd	£2.656	2.805	-	-
Ryl Life Intg Gwth Fd	£1.624	1.747	-	-
S.A.M. 1	£2.060	2.210	-	-
S.A.M. 2	$1.625	1.743	-	-
S.A.M. 3	£2.234	2.352	-	-
S.A.M. 4	$1.661	1.800	-	-

	Selling Price	Buying Price	+ or -	Yield Gross
Arnfield-Herman Investment Mgmt Inc				
Royce Hedge Fd Ltd	$490.9344		-	-
Arnhold and S. Bleichroeder, Inc				
Asian Corporation-Class A	$11478.22		-	-
Eagle Select Fund Ltd	$1005.27		-	-
Global Sovereign-Class A	$134.58		-	-
Asia Pacific Capital Strategies Fund				
NAV Jul 14	$7.8662		-	-
Asia Pacific Securities Corp Ltd				
Asian Convertibles & Income Fd (Cayman)				
NAV Jun 25	$14.14		-	-
Atlantico Investment Ltd				
Atlantico Libor Plus Jul 17	$107.18		-	-
Atlantis Fund Management (Guernsey) Ltd				
Atlas Management Limited				
Managed	$11.20	11.76	-	-
Aurum Funds				
BAS-EX Currency Fund Plc				
NAV (DEC)	L99000		-743	-
BEA Associates				
BNP				
BZW Nikko US IT				
Julius Baer Bank & Trust Co Ltd				

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£29¼	—	£29¼	£20¼	2,011	2.7	ϕ
Barlow	‡†	£27¼	+⅛	£27¼	£5¼	1,490	1.9	15.6
Gold Flds Prop R	†	169½	—	169½	120	17.3	5.0	13.3
SA Brews		£18⅞	+⅜	£18⅞	£13¼	5,401	2.0	ϕ
Standard Bank		£29⅝	+⅜	£30	£21	3,443	1.9	ϕ
Tiger Oats	†	1030	—	1100	790	1,357	1.8	20.2
Tongaat-Hulett		734¼	+½	799¼	675¼	713.8	2.5	ϕ

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

TELECOMMUNICATIONS

TEXTILES & APPAREL

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in Calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures on report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- $ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
& Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xc ex capital distribution.

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LONDON STOCK EXCHANGE

Footsie recovers ground after two-day slide

MARKET REPORT

By Peter John

Leading UK equities traded brightly yesterday with dealers adjusting to a two-day slide that had seen the blue-chip index fall about 200 points from its intra-day peak.

Footsie opened 12 points up on the previous day's close and maintained a firm trend. Then, support in the afternoon from a strong start by the Dow Jones Industrial Average, gave another lift which saw the UK index close 41 up at 4,846.7, just below its high of the day.

The second-line indices were less fortunate. The FTSE 250 was marginally weaker, ending 2.3 lower at 4,461.8, and the SmallCap was only up 0.5 at 2189.0.

Turnover by 6pm had reached 879.3m shares with 56 per cent of the volume traded in Footsie stocks.

It was helped by massive put-throughs in GrandMet and Guinness as Mr Bernard Arnault, the chairman of LVMH, shifted holdings in the two companies in what was seen as an attempt to destabilise their merger plans.

Market nerves were steadied from the outset by Monday night's close on Wall Street, as well as an International Monetary Fund report which said UK rates might need to rise less than commonly expected to prevent the economy overheating.

Both equity and government bond traders largely ignored the impact of sterling, which was moving up towards levels not seen on the exchange rate index since the Gulf war seven years ago.

Footsie rose smartly to record a 30-point improvement during the morning as institutional investors and marketmakers began to discount the impact of any negative repercussions from last night's Humphrey Hawkins testimony in the US.

In December, when Mr Alan Greenspan, the chairman of the US Federal Reserve, last commented on the state of the economy, his remark about "irrational exuberance" in financial markets prompted steep slides in equity prices.

But most strategists expected that yesterday's statement, due after the UK market closed, would be more circumspect.

In the afternoon, the Dow was up smartly during New York's first hour of trading in spite of a sharp fall in IBM, prompted by the company's interim earnings figures.

That strength gave scope for further gains in London.

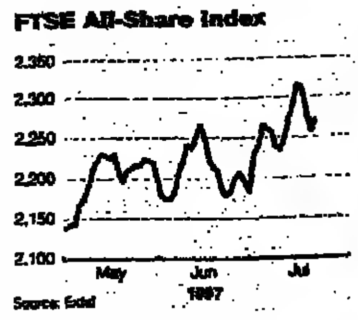
Mr Jonathan Stubbs, UK equity strategist with HSBC James Capel, said: "We have institutional cash holdings at a historic high of 7 per cent compared with the average of around 3.5 per cent.

"We have merely got back to the strategy of buying on any consolidation we see in the market."

The rally was helped further by encouraging figures from SmithKline Beecham, the pharmaceuticals group, and the arrival in the market of Billiton, the mining group, which made its trading debut with a market value of around £4.6bn.

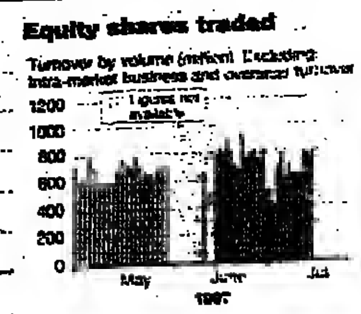
However, British Airways was dragged lower by downgrades and strike concerns.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	4846.7	+41.0
FTSE 250	4461.8	-2.3
FTSE 350	2325.4	+15.6
FTSE All-Share	2270.91	+14.42
FTSE All-Share yield	3.41	3.44
FT 30	3072.5	+11.0
FTSE Non-Fins p/e	19.14	19.03
FTSE 100 Fut Sep	4878.0	+77.0
10 yr Gilt yield	7.07	7.12
Long gilt/equity yld ratio	2.09	2.07

Best performing sectors

1 Tobacco ....+2.3
2 Pharmaceuticals ....+1.8
3 Media ....+1.5
4 Consumer Goods ....+1.3
5 Breweries: Pubs & Rest ....+1.2

Worst performing sectors

1 Health Care ....-1.4
2 Paper, Pckg & Print ....-0.8
3 Gas Distribution ....-0.8
4 Insurance ....-0.6
5 Transport ....-0.5

GMet boosted by LVMH

By Joel Kibazo and Martin Brice

Drinks and spirits giant Grand Metropolitan was centre stage as LVMH, the French group, raised the stakes in its attempt to influence the proposed £24bn merger of Guinness and Grand Metropolitan.

Dealers acting for LVMH moved into the market in early afternoon and, by the close of business yesterday, had acquired at least 2 per cent of GrandMet, taking its stake above 8.4 per cent. Dealers said LVMH had been seeking three GrandMet shares in exchange for two Guinness shares and 20p plus cash to the value of one GrandMet share.

Turnover in Guinness was 47m shares, making it the third most actively traded stock in the FTSE 100. GrandMet, in which 118m had been dealt by the close, was easily the most active Footsie constituent. Turnover included a single trade of 47m shares at 630p a share. Guinness closed 9½ off at 598p while GrandMet put on 16 to 622p.

Speculation in the market suggested that Mr Bernard Arnault, the chairman of LVMH who resigned from the board of Guinness on Monday, might sell more of his holding in the UK spirits giant. The French company held a 14.2 per cent stake in Guinness before reducing its holding yesterday.

The pharmaceutical reporting season began with SmithKline Beecham turning in a performance that saw the shares gain 49 to £12.19½. The driving force behind the advance was helped by the announcement that it would help market Baycol, the cholesterol-lowering agent from Germany's Bayer in the US. The stock figures prominently in US investment portfolios and there was said to be US buying interest yesterday, driven partly by hopes for Baycol in the US market.

Mr Kevin Scotcher at NatWest said: "Baycol is a very significant event, and is material to the earnings progression on the company."

Analysts said the market was looking past the effect of the strong pound on the company's profits, which came in ahead 4 per cent in the second quarter at £356m. If currency factors were stripped out, the profit would have been £398m, an underlying increase of 16 per cent. The company also announced a one-for-one share split.

The positive sentiment spread to Glaxo Wellcome, which rose 19½ to £13.39½. However, Zeneca, which has been subject to a series of currency-related downgrades which yesterday included Lehman Brothers, was off 16½ at £20.85.

Medeva, on which Merrill Lynch has downgraded its earnings per share forecast for this year by 9 per cent due to the effect of the strong pound, gave up 4 to 212p.

The worst performer in the Footsie was British Airways. The shares lost 34½ or 5.2 per cent to 628p. Sentiment was hit by reports of a change in recommendation by Deutsche Morgan Grenfell. The broker was said to have moved its recommendation on BA to neutral from overweight and shifted its view on Lufthansa to overweight from neutral.

Analysts at DMG were reported to have said the change was largely a result of currency factors, which are affecting the two companies in opposite ways, with the weak mark benefiting Lufthansa and the strong pound hitting BA.

While DMG's change has little to do with the costs of the recent three-day strike, analysts in London are expected to downgrade current-year profit expectations to reflect the industrial action.

There were also whispers in the market suggesting last week's industrial action may be continuing to affect "premier traffic" at BA. One analyst said: "If this is true, then the costs of the strike will have been far greater than we had anticipated."

EMI firmed 17½ to 784p and Thorn rose 4½ to 169½p following their commencement of a buy-back designed to return £587m to shareholders.

EMI said it had discovered an additional 34 US letters of redemption for its B share offer, which brought the rate of acceptance of its offer to 84.82 per cent of the B shares available.

Billiton, which starts trading officially on Monday, rose a penny to 221p in the when-issued stock after its over-subscribed placing, giving the mining company a market capitalisation of about £4.6bn.

The stock is expected to enter the FTSE 100 after the quarterly meeting of the index committee, due in September.

ICI was up 4½ to 921½p ahead of interim results tomorrow with US interest said to be a feature. Sutherlands has told its clients that US buyers hold about 16 per cent of the stock, and their support "reflects enthusiasm over the corporate overhaul, and should underpin the price for now". However, the broker warns that the rating is "looking toppy on even the most optimistic valuation".

The broker has also suggested clients buy BTP, which firmed to 285p.

UK food distributor Booker advanced 17½, or 7 per cent, to 264½p after UBS, one of its house brokers, reiterated its positive stance on the stock.

The shares have been weak recently, having fallen from a 12-month high of 417½p to a low of 270½p after exceptional charges dragged 1996 profits lower.

A statement in the last hour of trading from Save Group helped the shares reverse an earlier decline. They eventually closed 1½ up at 59½p.

The company said it had noted the recent fall in the market price of Save's shares for which it knew of no reason.

There was a two-way pull in retailer WH Smith, which left the shares marginally firmer at 365½p.

However, NatWest Securities does not rate the shares and has urged investors to reduce holdings. "We believe the steep share price decline is merited by the difficult fundamentals."

Aggregate Industries, the building materials group, eased to 47½p after Teather & Greenwood said: "It is hard to be more than a holder short-term." Mr David Taylor, at the broker, told clients the company "is attractive on a medium-term view and we suspect that concern over a minerals tax in the UK is overdone".

Menvier-Swain put on 7½ to 237½p after the electrical group announced a strong profits advance and said it planned a share buy-back.

Biocompatibles achieved the biggest fall in the FTSE 250 when its shares shed 99 to £10.06 on fears for its agreement to supply US pharmaceuticals group Johnson & Johnson with its coatings for medical implants.

FT 30 INDEX

	Jul 22	Jul 21	Jul 18	Jul 17	Jul 16	Yr ago	*High	*Low
FT 30	3072.5	3061.5	3105.7	3128.1	3128.1	2713.4	3128.1	2668.8
Ord. div. yield	3.58	3.60	3.54	3.51	3.50	4.14	4.22	3.50
P/E ratio net	18.06	17.96	18.75	18.93	18.38	16.21	18.98	15.80
P/E ratio nil	17.90	17.78	18.55	18.74	18.78	15.09	18.78	15.71

FT 30 since compilation: high 3128.1 16/07/97, low 49.4 26/06/40. Base Date: 1/7/35

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3066.8	3075.9	3069.1	3072.7	3063.5	3060.4	3062.7	3067.4	3069.8	3076.3	3058.0

	Jul 22	Jul 21	Jul 18	Jul 17	Jul 16	Yr ago
SEAQ bargains	46,531	49,055	54,850	53,220	59,786	25,479
Equity turnover (£m)†	-	4404.9	4170.7	4382.0	2958.4	1376.1
Equity bargains†	-	61,265	49,882	68,449	47,906	29,132
Shares traded (ml)†	-	1062.8	1058.9	1128.0	794.0	486.9

†Excluding intra-market and overseas turnover but including Crest turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	637	Total Highs	46	Total contracts	50,477
Total Falls	754	Total Lows	104	Calls	24,939
Same	1,663			Puts	25,538

Jul 22 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4837.0	4878.0	+77.0	4880.0	4820.0	9773	73687
Dec	4907.0	4941.0	+77.0	4907.0	4907.0	10	4691
Mar		4980.0	+77.0			0	101

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4505.0	4505.0	+0	4505.0	4505.0	15	7117

■ FTSE 100 INDEX OPTION (LIFFE) (*4842) £10 per full index point

	4650 C	4650 P	4700 C	4700 P	4750 C	4750 P	4800 C	4800 P	4850 C	4850 P	4900 C	4900 P	4950 C	4950 P	5000 C	5000 P
Aug	248	36½	209½	47½	171½	61	136½	77½	107	98½	81	122½	61½	152	44½	187
Sep	296	65	258½	78	221½	92½	190	112½	158½	133	129½	156	108	185½	86½	216
Oct	329	80½	283	92½	249	108½	219½	129½	190½	150½	167½	172½	141	203½	121	231
Nov	359½	106	323	121½	292½	138½	261½	158	230½	177½	200½	199½	178	227	185½	255½
Dec†			353½	119			293½	157½			230	199			181	251½

Calls 7,314 Puts 5,665

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4675 C	4675 P	4725 C	4725 P	4775 C	4775 P	4825 C	4825 P	4875 C	4875 P	4925 C	4925 P	4975 C	4975 P	5025 C	5025 P
Aug	223½	41½	185½	53½	150½	68	118	87	92	109½	80	136	50½	167½	36	203
Sep	271	70	235½	84½	202	100½	171½	119	143½	141	119	165½	97	193	78	223½
Oct	298½	82	264½	97½	233	115	203½	134½	176½	157	152½	182	130½	209	111	239
Dec			339½	128½			275	162			218½	203			168½	250
Mar†			405	161½			342	194			284½	231½			232½	275½

Calls 8,704 Puts 7,129 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	85.5	139½	124½	Ashtenne	135½		W5.0	1.8	4.6	15.2
§100	F.P.	25.2	119½	109½	Cammell Laird	118½	+8	L3.6	2.1	4.0	11.4
§260	F.P.	15.8	275	265	Delcam	267½		L2.5	4.4	1.2	24.2
	F.P.	-	115	114	EMI B	115		22.75	-	3.1	-
•	F.P.	2.02	26	24	†Euro Mining Fin	25		-	-	-	-
§150	F.P.	234.7	202	162½	Galen Hldgs	193½		L0.9	5.7	0.6	31.2
§2.5	F.P.	2.75	3½	2¼	†Grosmont Hldgs	2¾		-	-	-	-
§	F.P.	1.20	1	½	†Grosmont Hld Wrt	1		-	-	-	-
§125	F.P.	6.54	135	111½	†Helicon Publsg	111½	-2	-	-	-	-
§135	F.P.	63.5	149½	142½	Hitachi Cred UK	149½		L4.3	1.4	3.8	24.7
§	F.P.	13.0	140½	129½	Primesight	129½	-1	-	-	-	13.0
§55	F.P.	9.23	64½	57½	†Pyecraft & Arnold	59		-	-	-	13.6
100	F.P.	32.7	112½	99½	Reabourne Merlin	108½		-	-	-	-
§	F.P.	68.9	227	204½	Royalblue Grp	208½		1.5	2.8	0.9	52.9
§100	F.P.	7.77	120½	109½	†SBS Group	109½		L2.4	2.0	2.7	19.3
	F.P.	-	22¼	19½	Thorn B	21	-½	-	-	-	-
•	F.P.	4,634	373½	288	Woolwich	289	-4½	L7.9	2.1	3.4	17.3

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Jul 21	% chg on day	Jul 18	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1382.57	-1.5	1403.54	1988.28	2.32	-	2074.81	1270.14
■ Regional Indices								
Africa (14)	1466.53	+2.2	1434.77	2696.16	5.35	23.86	2775.96	1324.06
Australasia (6)	1510.59	+0.2	1507.30	2240.28	3.50	17.40	2455.10	1336.10
North America (11)	1352.05	-3.0	1394.23	1753.82	1.04	68.63	1861.48	1244.23

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Jul 22	Day's chge%	Jul 21	Jul 18	Jul 17	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4846.7	+0.9	4805.7	4877.2	4949.0	3681.3	3.36	2.04	18.20	90.17	2069.35
FTSE 250	4461.8	-0.1	4464.1	4484.1	4500.1	4231.0	3.72	1.61	20.83	94.63	1867.36
FTSE 250 ex IT	4459.7	-0.1	4463.2	4481.8	4494.4	4266.9	3.67	1.64	19.64	97.54	1871.92
FTSE 350	2325.4	+0.7	2309.6	2339.5	2369.0	1847.6	3.43	1.96	18.64	44.38	2028.57
FTSE 350 ex IT	2326.2	+0.7	2310.2	2340.3	2370.0	-	3.45	1.97	18.41	12.42	1040.78
FTSE 350 Higher Yield	2255.9	+0.8	2238.9	2264.8	2293.8	1777.9	4.63	1.77	15.29	53.70	1668.79
FTSE 350 Lower Yield	2399.5	+0.8	2384.7	2418.2	2448.4	1924.3	2.43	2.26	22.78	34.62	1711.75
FTSE SmallCap	2188.97	....	2188.49	2194.62	2201.51	2104.18	3.22	1.75	22.21	41.15	1861.96
FTSE SmallCap ex IT	2151.33	....	2151.34	2156.00	2160.10	2103.41	3.49	1.83	19.52	44.41	1846.01
FTSE All-Share	2270.81	+0.6	2256.49	2284.14	2311.58	1829.15	3.41	1.94	18.64	43.32	2010.70
FTSE All-Share ex IT	2271.40	+0.7	2256.67	2284.69	2312.34	-	3.45	1.96	18.47	12.40	1034.51

■ FTSE Actuaries Industry Sectors

	Jul 22	Day's chge%	Jul 21	Jul 18	Jul 17	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4672.13	+0.5	4650.58	4686.10	4710.46	3471.15	3.26	2.01	18.04	85.78	2091.54
12 Extractive Industries(5)	4181.15	-0.3	4181.88	4258.64	4256.89	3973.18	3.77	2.38	13.93	104.80	1278.04
15 Oil, Integrated(3)	4920.27	+0.6	4891.72	4925.90	4953.18	3567.58	3.39	1.95	18.92	90.43	2264.47
16 Oil Exploration & Prod(12)	3759.91	+0.2	3750.98	3790.24	3797.73	2493.64	1.53	2.19	37.34	38.65	2303.99
20 GEN INDUSTRIALS(264)	1874.86	+0.2	1871.75	1884.37	1893.10	1978.50	4.28	1.89	15.50	44.15	1072.74
21 Building & Construction(35)	1343.37	....	1342.86	1347.29	1349.54	1145.02	3.31	1.96	18.25	25.35	1168.78
22 Building Matls & Merchs(30)	1778.37	+0.4	1770.82	1781.30	1785.28	1855.30	4.54	2.82	9.78	41.89	939.96
23 Chemicals(26)	2456.27	+0.2	2450.92	2475.95	2480.52	2393.35	4.29	1.49	19.67	59.84	1222.69
24 Diversified Industrials(15)	1315.30	+0.2	1312.60	1318.24	1320.58	1488.56	5.66	1.97	11.20	38.47	780.42
25 Electronic & Elect Equip(37)	2006.78	+0.5	1995.94	2018.37	2027.17	2285.67	4.04	1.52	20.29	48.10	1090.81
26 Engineering(67)	2449.18	+0.1	2446.49	2461.80	2484.77	2408.62	3.44	2.31	15.73	47.05	1543.33
27 Engineering, Vehicles(13)	2718.30	....	2718.63	2743.66	2791.55	2930.69	3.78	‡	‡	54.42	1483.32
28 Paper, Pckg & Printing(27)	1901.72	-0.8	1917.08	1921.27	1812.25	2584.12	5.55	1.80	12.52	56.98	830.86
29 Textiles & Apparel(14)	1027.54	....	1027.65	1028.98	1023.63	1304.09	6.82	0.99	18.58	41.67	676.20
30 CONSUMER GOODS(85)	4731.33	+1.3	4671.79	4718.46	4770.97	3520.72	3.24	1.92	21.26	90.36	1826.11
32 Alcoholic Beverages(7)	3418.21	+0.8	3391.11	3428.37	3475.88	2702.81	3.68	1.97	17.19	88.68	1304.72
33 Food Producers(25)	3003.93	+0.2	2998.35	3027.57	3048.38	2460.37	3.70	1.84	18.33	66.76	1422.79
34 Household Goods(17)	3090.12	+0.5	3073.89	3093.06	3102.15	2506.44	3.36	2.27	16.33	54.26	1270.81
36 Health Care(15)	2163.75	-1.4	2193.38	2201.48	2213.59	2051.43	2.83	1.66	26.54	36.49	1359.09
37 Pharmaceuticals(18)	7868.29	+1.8	7731.55	7825.12	7889.44	5158.78	2.36	1.71	31.00	103.78	2762.06
38 Tobacco(3)	4364.06	+2.3	4266.94	4279.92	4387.64	4121.08	8.45	1.81	10.71	158.73	1164.53
40 SERVICES(273)	2673.14	+0.6	2658.29	2684.30	2708.60	2460.17	2.99	1.99	21.00	47.16	1443.00
41 Distributors(30)	2687.78	+0.1	2685.55	2694.18	2706.77	2775.18	3.48	1.93	18.59	51.67	1030.06
42 Leisure & Hotels(31)	3162.09	+0.4	3150.30	3188.05	3246.73	3033.30	2.95	1.64	23.04	68.47	1755.05
43 Media(44)	3970.67	+1.5	3912.03	3968.21	3998.43	4084.13	2.49	1.94	25.98	87.72	1477.85
44 Retailers, Food(15)	2403.46	+0.8	2389.03	2413.25	2407.67	1925.83	3.45	2.26	16.03	45.93	1600.18
45 Retailers, General(53)	2187.30	+0.2	2182.80	2190.51	2209.55	2039.03	3.24	2.03	19.00	40.50	1302.67
47 Breweries, Pubs & Rest.(22)	3332.08	+1.2	3292.87	3329.46	3393.59	3082.26	3.40	2.28	16.09	48.77	1659.63
48 Support Services(55)	2962.26	+0.4	2951.50	2980.29	3008.18	2381.53	1.72	2.55	28.41	27.64	1930.44
49 Transport(23)	2855.14	-0.5	2870.90	2904.88	2935.58	2342.07	3.51	1.39	25.71	59.78	1246.59
60 UTILITIES(31)	3060.51	+0.7	3039.62	3098.34	3110.78	2236.47	4.81	1.50	16.12	51.66	1413.67
62 Electricity(9)	3469.98	+0.4	3456.84	3491.11	3488.32	2349.55	5.12	2.01	12.14	92.77	1960.59
64 Gas Distribution(2)	2212.15	-0.8	2228.97	2222.24	2198.69	1276.60	5.51	‡	‡	54.50	1252.53
66 Telecommunications(8)	2353.28	+1.1	2327.72	2391.16	2412.80	1889.84	3.77	1.68	19.78	10.90	1118.22
68 Water(12)	2921.65	+1.2	2888.19	2974.96	3000.32	2139.43	6.64	2.27	9.76	91.57	1749.95
69 NON-FINANCIALS(673)	2287.09	+0.7	2271.68	2295.77	2312.69	1940.35	3.55	1.84	18.14	43.44	1818.51
70 FINANCIALS(106)	4461.12	+0.6	4434.49	4516.02	4637.30	2879.59	3.14	2.39	18.64	91.04	2014.94
71 Banks, Retail(10)	6936.20	+0.8	6878.42	7013.11	7252.42	4037.04	2.82	2.61	18.99	128.43	2373.93
73 Insurance(16)	1736.50	-0.6	1746.48	1775.13	1782.88	1409.81	4.92	2.62	9.67	55.06	1388.31
74 Life Assurance(7)	4618.30	+1.0	4574.71	4714.53	4836.88	3419.28	3.79	1.85	16.86	121.00	2017.28
77 Other Financial(29)	3240.03	-0.1	3242.31	3277.01	3281.46	2502.05	3.26	1.85	18.68	63.39	1931.65
79 Property(44)	2020.05	+0.1	2018.87	2026.09	2048.09	1500.01	3.20	1.33	29.45	34.73	1299.59
80 INVESTMENT TRUSTS(127)	3441.11	+0.2	3433.15	3458.38	3489.99	3035.03	2.20	1.17	48.58	43.79	1234.95
89 FTSE All-Share(906)	2270.91	+0.6	2256.49	2284.14	2311.56	1829.15	3.41	1.94	18.64	43.32	2010.70
105 FTSE All-Share ex IT(781)	2271.40	+0.7	2256.67	2284.69	2312.34	-	3.45	1.96	18.47	12.40	1034.51
FTSE Fledgling	1243.36	-0.2	1245.25	1248.08	1250.05	1212.44	3.24	0.90	42.74	20.39	1346.98
FTSE Fledgling ex IT	1243.24	-0.2	1245.36	1247.47	1248.09	1227.12	3.61	0.89	38.86	23.51	1348.80
FTSE AIM	1033.9	+0.6	1040.4	1045.4	1050.7	-	1.03	0.81	80.00†	4.40	949.22

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4818.1	4835.8	4829.7	4837.5	4826.7	4824.7	4828.6	4842.8	4841.8	4848.0	4818.1
FTSE 250	4465.8	4468.8	4468.7	4468.3	4466.2	4465.4	4464.5	4463.9	4462.1	4470.1	4461.7
FTSE 350	2314.6	2321.9	2319.4	2322.4	2318.8	2317.2	2319.0	2324.1	2323.6	2325.9	2314.8
FTSE SmallCap	2167.71	2188.03	2167.94	2188.23	2189.90	2198.95	2188.93	2189.12	2169.12	2189.20	2187.58
FTSE All-Share	2260.99	2267.64	2265.40	2268.16	2264.89	2263.43	2265.07	2269.73	2269.24	2271.39	2260.99

Time of FTSE 100 Day's high: 4:18 PM Day's low: 8:30 AM. FTSE 100 1997 High: 4848.7 (22/07/97) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's high: 4:18 PM Day's low: 8:30 AM. FTSE All-Share 1997 High: 2270.90 (22/07/97) Low: 1989.78 (02/01/97)

Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. Name Change: Green (E.) & Partner to White Young Green (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol 000s	Closing price	Day's change
3i†	246	434½	+4½
AMVESCAP	713	372	-1½
ASDA Group†	17,400	140	+½
Abbey National†	2,500	836½	-5
Airtours	141	1218½	-1
Albert Fisher	1,600	41½	
Alliance & Leicester†	1,700	598	-4
Allied Domecq†	1,500	452	+1
Anglian Water	1,200	791½	+½
Argos	752	639	+1½
Arjo Wiggins	1,100	164½	+1½
Assoc. Brit. Foods†	383	558½	+6
Assoc. Brit. Ports	1,200	281½	
BAA†	2,100	595	+10½
BAT Inds.†	7,300	531	+13½
BBA	338	380½	-5
BICC	223	197½	-1
BOC†	542	1072½	+11½
BG†	5,600	250	-1½
BP†	6,000	810	+1½
BPB	752	356½	+4½
BSkyB†	723	431½	+4½
BT†	54,100	423	+1½
BTR†	9,400	194	+1
Bank of Scotland†	3,100	429½	+6½
Barclays†	1,600	1276	+21
Bass†	1,700	824½	+17
Blue Circle†	821	418½	+1½
Booker	522	264½	+17½
Boots†	5,300	819	-6
Britannic	193	787½	-3½
Brit. Aerospace†	531	1311½	-5
British Airways†	8,300	628	-34½
British Biotech	1,600	178	5
British Energy	857	164	
British Land†	775	613½	+1
British Steel†	11,400	158½	+1½
Burmah Castrol†	576	1020	-5½
Burton	1,700	133¾	+2¼
Cable & Wire†	5,100	613½	+14
Cadbury Schweppes†	3,600	587½	-3½
Caradon	404	200	
Carlton Comms.†	1,500	474	-1
Centrica†	7,600	78¾	-1
Coats Viyella	589	120	
Comm. Union†	2,500	675½	-19
Compass	863	614	+1½
Cookson	3,400	200½	+4½
Courtaulds	3,000	398	-9½
Dalgety	109	253½	+½
De La Rue	1,100	364½	-2
Dixons†	1,500	545	
EMAP	194	734	+17½
EMI†	1,400	541	+17½
Electrocomps	74	434	-½
Energy Group†	1,100	650	+½
Enterprise Oil†	325	664	+1½
FKI	9,700	166	-3½
Foreign & Col. I.T	617	163¼	-¼
Gen. Accident†	904	953½	-4
General Elect.†	3,700	360½	+3½
Glaxo Wellcome†	3,900	1339½	+19½
Glynwed	857	309	-3
Granada†	2,400	762½	+6½
Grand Met.†	118,100	622	+16
GUS†	1,200	607½	
Greenalls	103	453	-½
GRE†	976	291½	+3½
GKN†	572	990	+1
Guinness†	47,700	598	-9½
HSBC (75p shs)†	2,000	2084½	-1
Halifax†	7,300	728½	-½
Hammerson	223	487	
Hanson†	1,600	293½	-1
Hansons Crosfield	783	113	-1
Hays†	738	579½	+½
Hillsdown	211	174½	-½
Hyder	447	852½	-5
IMI	502	330	+1½
ICI†	949	921½	+4½
Imperial Tobacco†	890	375	-4
Inchcape	898	286½	+1
Johnson Matthey	259	575	
Kingfisher†	1,900	712½	-12
Ladbroke†	408	257	-1½
Land Securities†	558	930½	+5½
Laporte	219	611½	
Legal & General†	1,900	420½	+3
Lloyds TSB†	6,500	672½	+13½
LASMO†	2,600	262½	+3½
Lonrho	1,200	124	+1
LucasVarity†	4,300	184	
MEPC	116	483½	-1½
MFI	1,400	150	
Marks & Spencer†	4,100	586	+2
Mercury Asset Mgmt†	403	1252	-2
Morrison (Wm.)	505	175	
NFC	218	138	
NatWest Bank†	3,800	866	+6½
National Grid†	[illegible]	[illegible]	[illegible]
National Power†	[illegible]	[illegible]	[illegible]
Next†	[illegible]	[illegible]	[illegible]
Northern Foods	[illegible]	[illegible]	[illegible]
Norwich Union	[illegible]	[illegible]	[illegible]
Orange	[illegible]	[illegible]	[illegible]
Pearson	[illegible]	[illegible]	[illegible]
P & O†	[illegible]	[illegible]	[illegible]
Pilkington	[illegible]	[illegible]	[illegible]
PowerGen†	[illegible]	[illegible]	[illegible]
Premier Farnell	[illegible]	[illegible]	[illegible]
Provident Financial	[illegible]	[illegible]	[illegible]
Prudential†	[illegible]	[illegible]	[illegible]
REXAM	[illegible]	[illegible]	[illegible]
RMC†	[illegible]	[illegible]	[illegible]
Racal	[illegible]	[illegible]	[illegible]
Railtrack	[illegible]	[illegible]	[illegible]
Rank Group	[illegible]	[illegible]	[illegible]
Reckitt	[illegible]	[illegible]	[illegible]
Redland	[illegible]	[illegible]	[illegible]
Reed Intl	[illegible]	[illegible]	[illegible]
Rentokil Initial†	[illegible]	[illegible]	[illegible]
Reuters†	[illegible]	[illegible]	[illegible]
Rio Tinto†	[illegible]	[illegible]	[illegible]
Rolls Royce†	[illegible]	[illegible]	[illegible]
Royal & Sun Alliance	[illegible]	[illegible]	[illegible]
Royal Bk Scotland	[illegible]	[illegible]	[illegible]
Safeway	[illegible]	[illegible]	[illegible]
Sainsbury	[illegible]	[illegible]	[illegible]
Schroders	[illegible]	[illegible]	[illegible]
Scottish & New	[illegible]	[illegible]	[illegible]
Scot Hydro-Elect	[illegible]	[illegible]	[illegible]
Scottish Power	[illegible]	[illegible]	[illegible]
Sears	[illegible]	[illegible]	[illegible]
Securicor	[illegible]	[illegible]	[illegible]
Severn Trent	[illegible]	[illegible]	[illegible]
Shell Trnsprt	[illegible]	[illegible]	[illegible]
Siebe†	[illegible]	[illegible]	[illegible]
Slough Ests	[illegible]	[illegible]	[illegible]
Smith (WH)	[illegible]	[illegible]	[illegible]
Smith & Nephew	[illegible]	[illegible]	[illegible]
SmithKline Beecham	[illegible]	[illegible]	[illegible]
Smiths Inds	[illegible]	[illegible]	[illegible]
Southern Elec	[illegible]	[illegible]	[illegible]
South West Water	[illegible]	[illegible]	[illegible]
Stagecoach	[illegible]	[illegible]	[illegible]
Standard Chartd	[illegible]	[illegible]	[illegible]
Storehouse	[illegible]	[illegible]	[illegible]
TSN	[illegible]	[illegible]	[illegible]
TI Group	[illegible]	[illegible]	[illegible]
Tarmac	[illegible]	[illegible]	[illegible]
Tate & Lyle	[illegible]	[illegible]	[illegible]
TeleWest	[illegible]	[illegible]	[illegible]
Tesco†	[illegible]	[illegible]	[illegible]
Thames Water	[illegible]	[illegible]	[illegible]
Thistle Hotels	[illegible]	[illegible]	[illegible]
Thorn	[illegible]	[illegible]	[illegible]
Tomkins	[illegible]	[illegible]	[illegible]
Unigate	[illegible]	[illegible]	[illegible]
Unilever	[illegible]	[illegible]	[illegible]
United Assurance	[illegible]	[illegible]	[illegible]
United Biscuits	[illegible]	[illegible]	[illegible]
Utd. News & Media	[illegible]	[illegible]	[illegible]
United Utilities	[illegible]	[illegible]	[illegible]
Vodafone†	[illegible]	[illegible]	[illegible]
WPP	[illegible]	[illegible]	[illegible]
Wessex Water	[illegible]	[illegible]	[illegible]
Whitbread	[illegible]	[illegible]	[illegible]
Williams Hldgs	[illegible]	[illegible]	[illegible]
Wolseley	[illegible]	[illegible]	[illegible]
Woolwich	[illegible]	[illegible]	[illegible]
Yorkshire Water	[illegible]	[illegible]	[illegible]
Zeneca†	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. All figures are rounded. [illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 22 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Jul 22 / Frs.)

[illegible]

CZECH REP (Jul 22 / Koruna)

[illegible]

DENMARK (Jul 22 / Kr)

[illegible]

FINLAND (Jul 22 / Mkk)

[illegible]

FRANCE (Jul 22 / Frs.)

[illegible]

GERMANY (Jul 22 / Dm.)

[illegible]

GREECE (Jul 22 / Drachma)

[illegible]

ITALY (Jul 22 / Lire)

[illegible]

NETHERLANDS (Jul 22 / Fls.)

[illegible]

NORWAY (Jul 22 / Kroner)

[illegible]

POLAND (Jul 22 / Zloty)

[illegible]

PORTUGAL (Jul 22 / Escudo)

[illegible]

SPAIN (Jul 22 / Pta.)

[illegible]

SWEDEN (Jul 22 / Kronor)

[illegible]

SWITZERLAND (Jul 22 / Frs.)

[illegible]

TURKEY (Jul 22 / TK.Lira)

[illegible]

PACIFIC

JAPAN (Jul 22 / Yen)

[illegible]

HONG KONG (Jul 22 / H.K.$)

[illegible]

INDONESIA (Jul 22 / Rupiah)

[illegible]

MALAYSIA (Jul 22 / MYR)

[illegible]

NEW ZEALAND (Jul 22 / NZ $)

[illegible]

SINGAPORE (Jul 22 / S$)

[illegible]

SOUTH KOREA (Jul 22 / Won)

[illegible]

TAIWAN (Jul 22 / TW $)

[illegible]

THAILAND (Jul 22 / Baht)

[illegible]

AUSTRALIA (Jul 22 / Aus$)

[illegible]

AFRICA

SOUTH AFRICA (Jul 22 / Rand)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Jul 22 / Can $)
4 pm close

[illegible]

MONTREAL (Jul 22 / Can $)
4 pm close

[illegible]

Prices supplied by Extel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	Jul 22	Jul 21	Jul 18	1997 High	1997 Low
Argentina					
General(29/12/77)	(u)	22347.29	22763.94	23854.12 11/7	0.80 9/7
Australia					
All Ordinaries(1/1/80)	2855.4	2853.4	2884.2	2748.90 2/7	2362.20 1/4
All Mining(1/1/80)	845.6	849.0	857.1	987.10 24/2	831.10 8/7
Austria					
Credit Aktien(30/12/84)	443.90	443.15	440.96	440.96 18/7	374.40 9/1
Traded Index(2/1/91)	1408.44	1400.24	1430.23	1430.23 18/7	1130.22 9/1
Belgium					
BEL20(1/1/91)	2536.52	(c)	2494.03	2541.40 17/7	1871.05 2/1
Brazil					
Bovespa(29/12/83)	(u)	11292.0	11182.0	13617.00 8/7	6855.50 2/1
Canada					
Metals Minls‡(1975)	(u)	5049.82	5076.09	5861.76 10/3	4845.98 11/4
Composite‡(1975)	(u)	6647.40	6738.19	6755.19 17/7	5571.30 14/4
PortfolioSS(4/1/83)	(u)	3344.00†	3398.32	3432.27 18/7	2846.82 11/4
Chile					
IGPA Gen‡(31/12/80)	(u)	5803.84	5883.14	5888.71 4/7	4812.42 2/1
Denmark					
CopenhagenSE(3/1/83)	644.94	641.18	653.43	658.29 17/7	470.14 2/1
Finland					
HEX General(28/12/90)	3431.30	3408.83	3483.88	3632.97 17/7	2483.28 2/1
France					
SBF 250(31/12/90)	1900.96	1884.77	1890.32	1940.73 18/7	1533.18 2/1
CAC 40(31/12/87)	2921.13	2874.12	2876.88	2908.01 18/7	2258.97 2/1
Germany					
FAZ Aktien(31/12/58)	1410.45	1385.46	1404.98	1412.89 17/7	988.21 2/1
Commerzbank(1/12/53)	4134.20	4070.2	4123.8	4160.20 17/7	2875.90 2/1
DAX‡(30/12/87)	4230.42	4108.40	4196.53	4230.42 22/7	2848.77 2/1
Greece					
Athens SE(31/12/80)	1535.81	1535.69	1537.09	1727.30 23/5	854.54 2/1
Hong Kong					
Hang Seng(31/7/64)	15446.78	15536.30	15570.40	15706.29 17/7	12055.17 3/4
India					
BSE Sens.(1979)	4186.29	4154.28	(c)	4404.88 9/7	3225.34 2/1
Indonesia					
Jakarta Comp.(10/8/82)	711.44	712.40	724.00	740.83 8/7	631.27 15/4
Ireland					
ISEQ Overall(4/1/88)	3584.29	3546.19†	3610.57	3610.57 18/7	2728.87 2/1
Italy					
Banca Comm Ital(1972)	932.28	910.95	923.50	932.28 22/7	642.58 2/1
MIB General(2/1/97)	1401.0	1380.0	1398.0	1401.00 22/7	981.00 2/1
Japan					
Nikkei 225(16/5/49)	20157.02	(c)	20249.32	20681.07 16/6	17303.65 10/1
Nikkei 300(1/10/82)	298.09	(c)	299.38	302.73 17/7	251.04 27/1
Topix(4/1/68)	1531.80	(c)	1539.36	1580.28 28/6	1320.82 10/4
2nd Section(4/1/68)	1788.32	(c)	1810.77	1848.25 30/6	1516.50 15/4
Malaysia					
KLSE Comp.(4/4/86)	1018.01	1022.67	1001.55	1271.57 25/2	1001.55 18/7
Mexico					
IPC(Nov 1978)	(u)	4590.22	4720.58	4882.39 10/7	3359.46 2/1
Netherland					
CBS TRtnGen(End 83)	1123.7	1091.1	1102.7	1133.30 18/7	730.80 2/1
CBS All Shr(End 83)	640.3	630.5	637.2	654.20 16/7	429.00 2/1
New Zealand					
Cap. 40(1/7/86)	2453.82	2459.28	2475.91	2525.65 4/7	2207.48 1/4
Norway					
Oslo SE(Ind)(2/1/83)	2083.25	2067.13	2080.79	2121.54 16/7	1639.83 2/1
Philippines					
Manila Comp(2/1/85)	2658.73	2848.34	2872.95	3447.80 3/2	2489.38 20/5
Portugal					
BVL 30(4/1/93)	3354.44	3336.82	3359.54	3481.30 9/7	2185.57 2/1
Singapore					
SES All-S'pore(2/4/75)	487.84	485.77	490.48	573.80 17/2	479.94 25/4
South Africa					
JSE Gold(28/9/78)	993.2‡	1008.2	992.0	1586.10 27/2	903.80 7/7
JSE Ind.(28/9/78)	8884.9‡	8979.7	8937.7	8884.90 22/7	7859.50 2/1
South Korea					
KoreaCmpEx**(4/1/80)	725.88	740.93	747.37	792.29 17/6	671.55 7/1
Spain					
Madrid SE(30/12/85)	613.16	597.33	603.29	628.15 7/7	434.54 2/1
Sweden					
AffarsvarldsGen(1/2/37)	3178.6	3125.9	3157.0	3232.20 18/7	2378.80 2/1
Switzerland					
SMI Index(1/7/88)	5677.1	5620.5	5737.1	6012.80 8/7	3822.90 7/1
SPI General(1/6/87)	3606.20	3572.56	3636.72	3768.79 8/7	2806.22 6/1
Taiwan					
WeightedPr.**(30/6/66)	9550.40	9831.77	9677.40	9833.77 21/7	6844.75 6/1
Thailand					
Bangkok SET(30/4/75)	659.78	(c)	653.37	658.97 22/1	464.77 19/6
Turkey					
IMKB Nat 100(1986)	1953.00	1955.00	2010.0	2043.00 14/7	895.00 2/1
WORLD					
MS Capital Intl$(1/1/70)	963.5*	957.3	964.5	978.80 16/7	794.50 14/4
CROSS-BORDER					
Eurotrack 100(26/10/90)	2679.77	2640.10	2701.63	2732.98 17/7	1890.80 2/1
FTSE E 100(26/6/90)	2268.39	2221.36	2248.81	2298.65 16/7	1582.98 2/1
HSBC JC Drgn(31/12/89)	(u)	423.85	422.45	425.46 20/1	381.83 29/4
ING Brngs Emrg(7/1/92)	(u)	186.41	188.92	195.31 9/7	168.74 3/1

** Sat July 19: Taiwan Weighted Price 9749.30; Korea Comp Ex 742.15. Base values of all indices are 100 except: Australia All Ord and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, SPI, Euro Top-100, ISEQ Overall; Toronto Comp./Met & Mins, DAX – all 1,000; SMI - 1500; JSE Gold – 255.7; JSE 20 Ind – 264.3; IMKB Nat 100 - 1; NYSE All Common – 50; Stand & Poor's – 10 and Amex Comp - 550. §§ Montreal. ♣ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jul 22 – 4297.84 +157.05

† Correction. * Calculated at 15.00 GMT. ® Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ‡ Subject to official recalculation.

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (MATIF/MONEP) (200 x Index)							
Jul	2910.0	2931.0	+48.0	2934.0	2885.0	14,749	26,646
Aug	2916.0	2939.5	+46.5	2941.5	2904.5	243	4,911
■ DAX							
Sep	4201.0	4328.5	+184.5	4339.0	4195.5	24,455	90,821
Dec	4233.0	4357.5	+182.0	4357.5	4233.0	441	2,294
■ OMX							
Jul	2540.00	2580.00	+62.00	2587.00	2530.25	9,124	19,919
Aug	2550.00	2595.00	+65.00	2595.50	2538.75	8,250	8,544
■ SOFFEX							
Aug	5655.0	5675.0	+69.0	5713.0	5653.0	5,605	19,827

US INDICES

Dow Jones	Jul 21	Jul 18	Jul 17	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7906.72	7890.46	8020.77	8038.88 (16/7)	6391.69 (11/4)	8038.88 (16/7/97)	41.22 (8/7/32)
Home Bonds	104.13	104.11	104.14	104.77 (16/7)	101.09 (14/4)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2827.33	2836.07	2858.07	2894.19 (15/7)	2222.07 (2/1)	2894.19 (16/7/97)	13.23 (8/7/32)
Utilities	229.91	230.66	232.80	240.35 (22/1)	208.47 (25/4)	258.48 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 7961.51 (8057.23) Low 7783.85 (7829.61) (Theoretical♣)
Day's high 7919.96 (8038.10) Low 7840.06 (7875.30) (Actual♣)

Standard and Poors	Jul 21	Jul 18	Jul 17	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	912.94	915.30	931.61	938.59 (16/7)	737.01 (2/1)	938.59 (16/7/97)	4.40 (1/6/32)
Industrials‡	1078.04	1081.45	1100.96	1108.82 (16/7)	865.42 (11/4)	1108.82 (16/7/97)	3.52 (30/6/32)
Financial	102.97	102.84	104.73	105.75 (3/7)	80.75 (2/1)	105.75 (3/7/97)	7.13 (4/9/74)
NYSE Comp.	474.50	475.97	482.96	485.24 (16/7)	388.47 (11/4)	485.24 (16/7/97)	4.64 (25/4/42)
Amex Comp.	630.40	633.58	637.34	638.03 (16/7)	541.20 (28/4)	638.03 (16/7/97)	524.30 (16/7/96)
NASDAQ Cmp	1536.24	1547.99	1568.85	1580.83 (16/7)	1201.00 (2/4)	1580.83 (16/7/97)	54.87 (3/10/74)

■ RATIOS

	Jul 18	Jul 11	Jul 3	Year ago
Dow Jones Ind. Div. Yield	1.64	1.63	1.63	2.30
	Jul 16	Jul 9	Jul 2	Year ago
S & P Ind. Div. yield	1.50	1.55	1.58	2.32
S & P Ind. P/E ratio	25.78	24.91	24.75	18.63

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Philip Mrrs	6,868,900	40⅛	-⅛
IBM	5,854,400	103¾	-½
Columbia/HCA	5,392,200	32¼	+⅛
Motorola	5,195,600	79⅞	-2⅛
Wal-Mart	5,084,500	35⅞	+⅞
Kimberly-Cl	4,861,500	47¼	-4½
RJR Nabisco	4,020,300	29¾	-⅝
Pepsico	3,727,400	35¼	-¼
Unisys	3,674,800	8⅝	+½
Tel Brasil	3,557,400	130⅛	+1⅛

■ TRADING ACTIVITY

● Volume (million)	Jul 21	Jul 18	Jul 17
New York SE	452.448	585.620	634.109
Amex	23.847	25.074	26.825
NASDAQ	546.887	679.803	764.812
NYSE			
Issues Traded	3,373	3,398	3,411
Rises	949	863	1,285
Falls	1,913	2,034	1,566
Unchanged	511	501	530
New Highs	125	771	390
New Lows	25	19	12

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Sep	917.50	927.25	+9.50	927.25	918.80	57,529	176,789
Dec	931.25	934.50	+8.50	934.50	931.25	169	5,424

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ Nikkei 225							
Sep	20260.0	20180.0	-100.0	20320.0	20080.0	13,312	169,587

Open interest figures for previous day.

■ TOKYO – MOST ACTIVE STOCKS: Tuesday, July 22, 1997

	Stocks Traded	Closing Prices	Change on day
LTCB	4.3m	530	-17
Sumitomo Mtl Ind	4.0m	289	-11
Hitachi	4.0m	1280	-30
Fujitsu	4.0m	1560	-30
Yamaichi Secs	3.6m	301	-6
Tokyo Gas	3.3m	298	+3
NKK Corp	3.2m	219	-1
Mitsubishi Hvy	2.9m	834	+1
Matsushita E Wks	2.8m	1380	+30
Daiwa Bank	2.8m	609	-6

NEW YORK STOCK EXCHANGE PRICES

4 pm close July 22

- A -

1997 High	1997 Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
38 7/16	24 1/4	AAR	0.46	1.3	29	398	38	37 3/8	37 13/16	+1/16
47 3/4	33 1/2	AMP	1.04	2.2	37	3022	47 1/8	45 3/4	47	+1 1/4
109 1/4	79 3/4	AMR			7	5630	99 13/16	97 1/2	99	-1 1/2
37 5/8	29 1/2	ASA	1.20	3.9	20	323	30 3/4	30 3/8	30 1/2	+1/4
68 13/16	49 3/4	AbbotL e	1.08	1.7	25	13290	62 3/16	62 1/16	63 1/8	+1 1/4
18 5/8	14 1/8	AbMdsi Pr	0.40	2.3	9	z0	17 3/4	17 3/4	17 3/4	
22 1/2	17 3/8	ABM Ind e	0.40	1.9	19	125	21 3/4	21 1/2	21 3/16	+3/16
23 13/16	17 3/4	Acptncein			11	163	23 3/16	23 3/16	23 1/3	-1/16
78 5/8	56 1/8	ACE Ltd	0.88	1.2	12	527	76	75 1/4	76	+3/8
10 3/4	10	ACM Gvt In	0.90	8.5	11	232	10 5/2	10 1/2	10 5/8	
7 7/8	7	ACM GvOpp	0.63	8.1		328	7 13/16	7 13/16	7 13/16	
10 3/16	9 1/4	ACM Man	0.90	8.9		207	10 3/16	10 1/8	10 1/8	-1/16
18 3/8	6 1/8	Acme Elect				74	6 5/8	6 1/4	6 1/2	+1/4
20	13	Acme Mts				107	15 7/2	15 1/16	15 1/16	-1/16
22 15/16	14	ACNielsen			36	2514	20 5/8	19 5/8	18 7/8	-5/8
40 1/8	27 1/8	Acordia	0.80	2.0	19	z0	39 7/8	39 1/8	39 3/8	
29 3/4	19 1/8	Acuson				1770	21 13/16	21 3/16	21 13/16	-1/8
24 7/16	18 3/8	Adams Exc	0.55	2.3	1	279	u24 1/8	23 1/2	24 1/8	+1/16
48 1/2	24 7/8	AdvMic				8278	37 3/4	35 1/2	37 1/16	+1 1/4
27 1/2	10 3/8	Advest Grp	0.12	0.5	16	117	22 1/4	27 7/8	22	-1/4
17 7/16	11 3/8	Advo Inc			20	531	u17 3/4	16 1/8	17 1/2	+1/2
78 7/8	61 3/8	Aegon$	1.31	1.7	21	3885	76 1/2	75 3/4	76 1/16	-1 13/16
5 3/16	3 1/8	Aeriflx				250	5	4 3/4	4 7/8	-1/8
51 1/8	33	Aero-V	0.90	1.5	10	1635	u54 1/8	51 1/4	54 1/16	+2 7/16
62 3/4	40	AES Corp				z0	79	79	79	-5/8
172 5/8	73	Aetna	0.80	0.7	80	3900	108 3/16	108 3/8	107 3/8	+1 3/16
53 7/16	37 1/2	Aflac$	0.45	0.9	16	1864	53 3/4	52 1/4	53 1/16	+7/16
35 13/16	19 1/4	AGCO	0.04	0.1	13	z0	32 3/4	32 3/4	32 3/4	-7/16
21 5/8	18 3/8	AGL Res	1.08	5.2	14	717	20 13/16	20 3/4	20 13/16	-1/16
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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[illegible]

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NYSE PRICES

4 pm close July 22

Continued from previous page

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Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. s/s-splits. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

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NASDAQ NATIONAL MARKET

4 pm close July 22

[illegible]

AMEX PRICES

4 pm close July 22

[illegible]

EASDAQ

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Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$3		1000	8.25	3	Lernout & Hauspie	US$29	+0.125	4000	30.125	25
Artwork Systems	US$9.5	+0.122	46575	11.125	9.375	Memco Int'l	US$9.5	-0.375	0	11.75	8.125
Chemunex	FFr14.5		12000	10	14	NTL	US$22	-0.375	1000	25.125	22
Dr Solomon's ADS	US$26	-0.375	7000	28.375	16.875	PixTech	US$3.75	-0.125	0	6.125	3.75
Econt Telecom ADS	US$37.375	-0.25	0	12.25	5.375	Schoeller-Bleckmann	Sch1105	+45	10380	1105	900
Innogenetics	US$10.25		16195	12.75	10.25	Topcall Int'l	Sch3270	+2	8289	3318	3065

Prices for 22/7/97. Please note that mid prices are now used to calculate highs and lows.
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Dow rides up on rally for bonds

AMERICAS

The US stock market shrugged off its concerns in the hours prior to Federal Reserve chairman Alan Grsenspan's testimony before Congress, as all major indices rose strongly, *writes John Labate in New York*. By mid-afternoon the Dow Jones Industrial Average had gained 62.95 at 7,969.67. The broader Standard & Poor's 500 index also moved higher, adding 8.66 at 921.60.

The bond market seemed little concerned that Mr Greenspan would signal a Fed policy shift in his presentation. By lunchtime the long bond price was 1⁄32 higher at 101½, sending the yield down to 6.505 per cent.

"There is a bit of wariness, but the market is saying it isn't that worried," said Mr Warren Epstein, director of trading at Richard Rosenblatt & Company in New York.

"Mr Greenspan learned a valuable lesson in market handicapping last time and he'll likely refrain from discussing the stock market," said Mr Joseph Battipaglia, chief investment strategist at Gruntal & Company.

After trading down in the last few sessions, the Nasdaq composite rebounded, rising 11.25 to 1,547.48. Leading the way higher was software leader Microsoft, which rose $3 at $138 11⁄16. Since reporting earnings last week, its shares had plunged nearly 10 per cent.

Other industry gainsrs inclnded Dell Computer, which rose $4⅞ at $157⅛.

In the Dow, tobacco company Philip-Morris surged $1 5⁄16 at $42¼ on a solid earnings report and expectations that President Clinton's task force would endorse the industry's recent agreement. Boeing leapt $1⅞ at $55 15⁄16 on speculation that a US-EU agreement was near concerning its planned merger with McDonell Douglas.

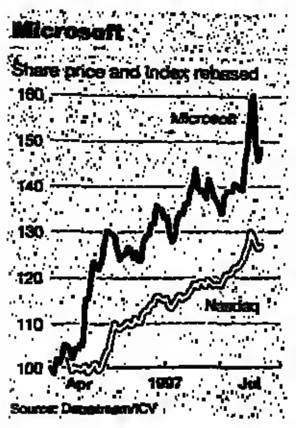
TORONTO moved higher, boosted by Wall Street's early gains and a better showing for gold shares. At the noon calculation, the 300 composite index was 32.71 ahead at 6,680.10.

Banks made good progress with Royal Bank of Canada adding 50 cents at C$67.70 and Bank of Montreal gaining 20 cents to C$56.45. Canadian Imperial Bank of Commerce roee 50 cents to C$38.40 on news of the $525m acquisition of a US broker.

Among gold leaders, Barrick improved 75 cents to C$31.20 after the company forecast improved 1997 earnings. Placer Dome advanced 50 cents to C$23.00.

Barrick reported lower second-quarter results with earnings per share slipping from 19 cents a year ago to 16 cents, but said higher production and reduced operating costs would deliver a stronger financial performance in the second half.

Potash Corporation of Saskatchewan tumbled C$4.95 or 4.5 per cent to C$103.05 after the German government vetoed the planned takeover of Kali & Salz, part of the BASF group.



Sao Paulo shoots higher

A burst of buying by domestic and foreign investors sent SAO PAULO shooting ahead in early trading.

It was beady stuff and allowed tbe bourse to claw back more than 40 per cent of the previous week's net losses. At midsession, the Bovespa index was 833 or 7.3 per cent higher at 12,115.

Blue chips led the rally as investors put their earlier currency worries to one side and scrambled to unwind last week's big sell positions. Telebras advanced 8.3 per ceot to R$153.80 and Electrobras jumped 8.9 per cent to R$589. Petrobras was only slightly outgunned, adding 7.1 per cent to R$303.

SANTIAGO also moved steadily higher, adding 2.08 to 29.41 on the IPSA index at midsession. Electricity stocks provided most of the upward drive. Enersis advanced 7.00 pesos to 284 pesos.

MEXICO CITY rose 78.98 to 4,669.20 on the IPC index at midsession.

In CARACAS tbe IBC index was 100.49 higher at 9,222.09 at midsession.

S Africa mixed in dull trade

Shares in Johannesburg had a mixed session with the all-share index ending little changed in dull volume.

Brokers said trading was hesitant from the ontset with dealers content to sit tight ahead of the latest round of Fed-speak from Mr Alan Greenspan in his Humphrey-Hawkins testimony.

"There were big trades in a number of blue chips but otherwise the action was limited," said one broker. The all-share index ended the day 1.7 lower at 7,430.2.

Industrials gained 5.2 to 8,984.9 bnt golds gave up nearly all Monday's gains, ending off 15.0 at 993.2 as the bnllion price had another unstable session.

Gencor ended 20 cents weaker at R19.20 in turnover of R71m and Remgro added 30 cents at R45.50 in R52m. Anglo American traded R63m to close up R1 at R260. Sonth African Breweries ebed 75 cents to R140.25.

Merger fever propels Frankfurt up 3.8%

EUROPE

Merger fever in the banking sector and a strengthening dollar took FRANKFURT up 3.8 per cent and back into record territory.

Shares of the top five banks all rocketed between 7 and 12 per cent higher as Monday's merger news from Bayerische Vereinsbank and Bayerische Hypotheken-und-Wechsel Bank brought speculation about new alliances throughout the sector.

The Ibis-indicated Dax index closed 157,68 higher at 4,297.64 as the early gains on *Wall Street also* supported the market.

Commerzbank, which will become Germany's fourth-largest bank, surged DM6.11 to DM62.89 on the view that it had now become a prime takeover target. Vereinsbank rose DM13 to DM100 while Hypo-Bank rose DM6.76 to SM74.50. BHF-Bank rose DM5.50 to DM55.30.

Allianz, the insurance group, which is the top shareholder in Hypo-Bank, rocketed DM32.05 to DM460 as CS-First Boston upgraded its recommendation on the insurer and set a target price for the stock of DM560.

Elsewhere, Adidas, the sportswear group viewed as a likely candidate for inclusion in the Dax index, jumped DM5.30 to DM219.80 as a committee of bank and bourse officials met to review the index portfolio.

Lufthansa rose DM2.49 to SM35.25 after Deutsche Morgan Grenfell recommsnded switching into the airline from Britisb Airways. DMG also raised its earnings per share estimstes on Lufthansa for 1997 and 1998.

AMSTERDAM pushed ahead strongly with a stellar performance from ABN Amro helping to drive the AEX index up 29.28 to 960.62 in heavy trading volume.

ABN jumped Fl 3.40 or 7.6 per cent to Fl 48.30 in volume of 9.9m ehares as talk of imminent corporate activity resurfaced. Financials as a whole were strong. Aegon gained Fl 5.30 to Fl 155 and Fortis Amev Fl 3.40 to Fl 94.90.

Philips surged Fl 4.70 to Fl 152.70 ahead of tomorrow's resnlts statement while PolyGram, the electronic giant'e entertainments offshoot, put on 90 cents to Fl 101.90 on dull results that "could have been a whole lot worse", according to one broker.

DSM rose Fl 4.90 to Fl 229.40 after hitting a high of Fl 233 on the news of a Germany acquisition which is seen as giving DSM a leading position in the European polyoleofins market.

PARIS shared in the general improvement across Europe, adding 47.01 at 2,921.13 on the CAC 40 index as worries about France's planned corporate tax increase were pushed into the background.

Volume was relatively modest but there was no shortage of features. Renault was the day's hot stock, jumping FFr9.30 or 6 per cent to FFr164.60, and Legrand advanced FFr57 to FFr1,197 on upbeat broker comment. Lafarge gained FFr18 to FFr398 after a profits npgrade from Société Generálé.

Rhône Poulenc pnt on FFr2.60 to FFr244.90 ahead of Friday's turnover figures. LVMH came off FFr5 to FFr1,559 as Mr Bernard Arnault, the chairman, continued with his attempts to thwart the planned merger between Grand Metropolitan and Guinness.

GAN rose FFr5.50 to FFr151.50 for a two-day gain of 4 per cent following the announcement that the government is to go ahead with the privetisation of the insurer. Dassault Systemes added FFr19.90 at FFr413.9 on strong interim results.

ZURICH called a halt to its three-session downward correction and the SMI index recouped 56.6 to 5,677.1.

The actively traded Novartis added SFr17 to SFr2,309 as investors anticipated favourable first-half sales figures tomorrow.

Clariant, the specialty chemicals company, rose SFr51 to SFr1,005 on expectations that it would today report a rise in first-half sales of around 20 per cent.

Nestlé and Surveillance, regarded as being among the most dollar-sensitive stocks on the bourse, underperformed the market.

Nestlé added SFr10 to SFr1,875 while Surveillance gave up SFr25 to SFr3,025.

Among financials, CS Group, one of the losers during Monday's session, recouped SFr3 to SFr1,92.50.

STOCKHOLM saw a bounce for Volvo after the motor group's balf-year results came in above brokers' estimates.

The shares rose SKr9 or 4.6 per cent to SKr213. Ericsson put on Skr4 to SKr330 ahead of tomorrow's interim results. The general index picked up 52.75 to 3,139.54.

In HELSINKI, banking group Merita was said to have gained from the latest banking merger in Germany, adding FM1.20 to FM22 in volume which was hoisted to 2.9m shares by heavy foreign buying. Rasio eased FM10.00 to FM600 as the Hex index advanced 21.47 to 3,431.30.

MADRID posted one of its biggest single day gains of the year, as the market set out to recoup some of the losses seen in the previous two sessions.

The general index rose 15.83 or 2.7 per cent to 613.16. Iberdrola advanced Pta55 to Pta1,750 on a Goldman Sachs upgrade while BCH jumped Pta300 to Pta6,200 on results at the top end of expectations.

MILAN returned to its record-setting ways as industrial shares spurted ahead and banks were well supported.

The Comit index advanced 21.38 or 2.3 per cent to end at 932.38.

Written and edited by Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices

Jul 22 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2663.67	2668.70	2670.28	2671.49	2673.63	2675.18	2677.82	2679.77
FTSE Eurotrack 200	2653.64	2655.79	2659.61	2660.38	2661.82	2663.47	2669.07	2668.97

THE EUROPEAN SERIES

	Jul 21	Jul 18	Jul 17	Jul 16	Jul 15
FTSE Eurotrack 100	2643.10	2701.63	2732.98	2716.04	2685.03
FTSE Eurotrack 200	2633.26	2683.30	2718.99	2716.45	2678.73

Base value 1000 (26/10/90); Highday: 100 - 2681.18; 200 - 2672.14 Lowday: 100 - 2663.67 200 - 2652.35. † Partial.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Mar 1997	April 1997	May 1997	June 1997	US $bn
Belgium	153.54	139.44	145.90	216.32	6.02
Denmark	47.33	34.95	41.13	58.88	8.58
Finland	21.61	24.80	24.51	29.17	5.61
France	377.84	331.78	370.09	396.38	67.50
Germany	339.99	245.66	228.49	313.00	179.58
Italy	74,340	61,804	62,608	53,948	31.70
Netherlands	61.40	72.70	77.10	94.50	48.24
Norway	43.06	53.20	50.91	41.13	5.62
Spain	2,778.54	3,324.38	3,419.78	3,664.58	24.91
Sweden	179.82	193.76	205.80	195.64	25.30
Switzerland	108.16	107.25	112.54	138.82	95.16
UK	78.85	68.56	76.40	94.91	157.84

Volumes represent purchases and sales.
Italian data adjusted to include off-market trading. Some figures may be revised.
Source: NatWest Securities

June proved a record-setting month for equity trading in the European bourses. Total domestic volumes rose 21.3 per cent on the month, up 60.5 per cent on June 1996 in D-Mark terms.

Record trading volumes were also set in six individual markets – Brussels, Paris, Amsterdam, Madrid, Zurich and London. At the same time, volumes declared to Seaq International in London rose by a smaller 13.3 per cent, but were nonetheless at a record level.

Mr James Cornish at NatWest Markets, who compiles the data, said all the European market indices reached record highs, responding to a 5.2 per cent rise in the Dow Jones Industrial Average, falling bond yields and a stronger dollar.

Tokyo stays on downward path after holiday

ASIA PACIFIC

Tokyo continued downward in thin trading after a three-day holiday weekend, although late buying by domestic institutions erased some of the earlier losses, *writes Gwen Robinson*.

The Nikkel 225 average improved 92.30 to 20,157.02 after moving between 20,065.61 and 20,280.33.

Most transactions were made in small lots as investors took profits on high-tech blue chips and arbitrageurs sold cash stocks in response *to the decline in Nikkei-225* fntures. Some leaders regained momentum in the afternoon on buying by pension funds and other domestic institutional investors.

Volume shrank from Friday's 376m shares to an estimated 279m. Declines led advances 713 to 360 with 168 unchanged. The Topix index of all first-section stocks shed 7.76 to 1,531.60 and the capital-weighted Nikkei 300 was off 1.29 at 298.09.

In London, the ISE/Nikkei 50 index rose 1.69 to 1,654.52.

High-techs suffered from growing caution about their recent strong performance in New York as well as Tokyo. Tokyo Electron slid Y490 to Y6,820, Advantest Y380 to Y9,820 and Hitachi Y30 to Y1,280. Sony was unchanged at Y10,700 while TDK weakened Y250 to Y9,100.

Securities houses were the day's biggest losers, falling 2.2 per cent as a group. Yamaichi Securities fell Y8 to Y301 on Friday'e announcement that its recurring loss for the April-June quarter amounted to nearly Y5.5bn. Daiwa Securities fell Y33 to Y866 and Nomura Securities Y40 to Y1,490. Banks were mixed. Long-Term Credit Bank, the day'e most active issne, fell Y17 to Y530 on profit-taking after substantial gains in recent sessions on news of its global alliance with Swiss Bank Corporation. Industrial Bank of Japan fell Y30 to Y1,720 hut Bank of Tokyo-Mitsubishi rose Y20 to Y2,270.

Among the day's winners were car makers. Honda rose on short-covering, gaining Y80 to Y3,470 following Friday's plunge of Y310. Toyota rose Y30 to Y3,460 and Mazda Y12 to Y388.

Pbarmaceuticals also advanced. Sankyo closed at Y4,300, up Y130, after reach*ing a record intraday high of* Y4,360. Yamanouchi rose Y30 to Y3,110 and Taisho Pharmaceutical Y80 to Y3,280.

Real estate issues gained, with Mitsubishi Estate np Y30 at Y1,650 and Mitsui Fudosan Y10 at Y1,510.

In Osaka, the OSE average fell 173.62 to 20,977.53 and volume slid to 9m shares.

SEOUL fell 2 per cent, *pressured* by rumours, strongly denied by the company, of financial troubles at Ssangyong Group. The composite index lost 14.95 to 725.98 as losers overwhelmed gainers by 727 to 111.

Shares of Ssengyong Groop'e 10 listed affiliates closed at their daily limit lows, in spite of the group'e denial. The flagship Saangyong Cement shed Won800 to its daily limit low of Won9,400 and Ssangyong Oil Refining lost Won1,500 to its daily limit low of Won17,700.

Jinro Group's shares also took a beating as creditor banks said they would not extend the bailoot period for the Jinro liquor groop, which expires on Sunday.

Jinro lost Won540 to its daily limit iow of Won6,260, Jinro Industries dropped Won360 to its daily limit low of Won4,190 and Jinro General Foods fell Won320 to its limit low of Won3,680.

Elsewhere, news that creditor banks had agreed to extend Won160bn in emergency loans to rescue the Kia Group failed to lift Kia shares. Kia Steel sank Woo180 to its daily limit low of Won3,100 and Kisan dropped Won520 to its limit low of Won6,030. Kia Motors closed flat at Won12,100.

TAIWAN ran into heavy profit-taking after the local SEC called for tougber accounting. The weighted index fell from e high of 9,877.39 to close off 283.37 or 2.9 per cent at 9,550.39.

The SEC called for tighter checks by accountants on some electronics companies. Brokers said they were not surprised at the profit-taking since the market had hit a seven-year peak on Monday.

Winbond and Compeq fell by the daily 7 per cent limit. The former closed at T$66.50 and Compeq at T$240. Banks were also weak. Chang Hwa lost T$6 to T$127.

SYDNEY closed higher on improved economic activity. The All Ordinaries index, which touched a session low of 2,643.9, ended up 3.0 at 2,656.4. "The May indicator is good news ahead of tomorrow's quarterly CPI. If inflation can also come np trumps we could see further progress," said one broker.

Banks led the market. NAB gained 8 cents to A$19.30 and ANZ 15 cents to A$10.075. Among industrials, Coca-Cola Amatil was up 21 cents to A$16.12. Cultus Petroleum rose 15 cents to A$3.65 on takeover talk.

HONG KONG's losses deepened as the day progressed as selling in the banking sector increased in late afternoon ahead of Fed chairman Alan Greenspan's testimony to Congress. The Hang Seng index fell 89.52 to 15,446.78 in turnover that eased to HK$14.1bn.

Analysts said the banking sector was undergoing a consolidation, bnt the shares could stage another rally next week ahead of interim resnlt announcements.

HSBC eased HK$3 to HK$259, Hang Seng Bank fell 50 cents to HK$114.50 and Bank of East Asia lost 40 cents to HK$32.50. Hongkong Electric surged 90 cents to HK$31.60 on speculation that Chinese companies might be interested in buying a stake.

FT/S&P ACTUARIES WORLD INDICES

The *FT/S&P Actuaries World Indices* are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY JULY 21 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY JULY 18 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	232.43	–1.0	205.38	170.19	217.07	208.48	–1.2	8.66	234.83	207.92	171.47	218.62	211.06	243.67	190.80	195.50
Austria (25)	198.79	–2.2	175.64	145.55	185.64	185.53	–1.9	1.77	203.31	180.01	148.45	189.27	189.14	203.31	174.70	178.88
Belgium (29)	251.38	–0.3	222.13	184.07	234.77	229.94	0.0	2.97	252.21	223.31	184.16	234.80	230.01	261.11	206.88	210.91
Brazil (30)	270.08	0.6	238.65	197.76	252.24	537.46	0.6	1.36	268.43	237.67	196.00	249.90	534.22	322.44	170.26	181.67
Canada (127)	216.50	–1.4	191.30	158.53	202.19	215.49	–1.4	1.69	219.58	194.40	160.32	204.40	218.62	220.92	154.12	158.66
Denmark (32)	403.87	–2.5	356.87	295.73	377.19	375.74	–2.2	1.38	414.05	366.59	302.33	385.46	384.08	421.25	303.46	309.34
Finland (28)	300.63	–2.8	265.65	220.14	280.77	334.36	–2.5	1.64	309.14	273.72	225.73	287.80	343.27	314.08	186.67	192.18
France (84)	225.12	–0.4	198.92	164.84	210.24	214.15	–0.2	2.46	226.05	200.15	165.06	210.45	214.55	237.57	186.94	190.59
Germany (59)	226.55	–2.3	200.19	165.89	211.58	211.58	–2.0	1.34	231.96	205.37	169.37	215.94	215.94	233.51	166.70	173.10
Hong Kong, China (66)	532.41	–0.1	470.45	389.85	497.23	529.51	–0.1	2.86	532.87	471.80	389.09	496.08	530.10	589.65	407.55	421.72
Indonesia (27)	221.44	–5.8	195.67	162.15	206.81	357.95	–1.5	1.82	235.15	208.20	171.70	218.91	363.52	254.90	183.62	205.97
Ireland (17)	365.82	–2.2	323.25	267.67	341.65	345.00	–1.9	2.79	374.03	331.16	273.11	348.20	351.84	374.84	270.08	274.96
Italy (54)	102.82	–0.1	90.85	75.29	96.02	134.20	0.1	1.77	102.92	91.18	75.15	95.81	134.12	105.42	73.26	78.44
Japan (485)	136.94	–0.3	121.00	100.27	127.89	100.27	0.0	0.79	137.32	121.58	100.27	127.84	100.27	150.97	107.57	150.84
Malaysia (107)	471.88	2.5	416.96	345.53	440.70	477.15	2.2	1.44	460.21	407.47	336.04	428.44	466.68	660.95	460.21	557.81
Mexico (27)	1640.51	–2.2	1449.58	1201.24	1532.11	14144.71	–2.8	1.31	1677.76	1485.49	1225.07	1561.93	14524.81	1738.85	1121.58	1167.00
Netherlands (19)	411.62	–1.4	363.72	301.41	384.42	379.91	–1.1	2.05	417.31	369.49	304.72	388.50	383.94	427.48	279.86	289.99
New Zealand (14)	89.56	–0.5	79.14	65.58	83.64	72.84	–0.8	4.00	90.03	79.71	65.74	83.81	73.26	98.47	80.66	80.65
Norway (41)	317.11	–1.5	280.20	232.20	296.16	319.47	–1.2	1.92	321.61	284.93	234.98	299.56	323.27	326.80	246.04	250.79
Philippines (22)	149.49	–2.6	132.09	109.46	139.61	212.32	–1.2	0.89	153.48	135.89	112.07	142.88	214.97	214.07	138.54	211.43
Singapore (42)	385.39	1.9	340.53	282.19	359.92	259.74	1.6	1.17	378.09	334.76	276.08	351.99	255.57	448.01	360.08	400.45
South Africa (44)	358.02	–0.4	316.36	262.18	334.37	357.85	–0.2	2.41	359.81	318.40	262.59	334.79	358.69	370.12	301.48	351.27
Spain (33)	252.01	–1.6	222.68	184.53	235.36	288.91	–1.3	2.29	256.16	226.81	187.06	238.48	292.61	278.05	171.91	178.04
Sweden (49)	497.92	–1.1	439.97	364.60	465.02	573.54	–1.1	1.80	503.50	445.80	367.65	468.74	579.77	511.95	334.35	345.64
Switzerland (38)	307.72	–2.0	271.91	225.32	287.38	281.84	–1.8	1.19	314.00	278.02	229.28	292.33	285.95	329.59	231.69	246.09
Thailand (42)	62.20	0.0	54.96	45.55	58.09	73.50	0.0	4.21	62.20	55.07	45.42	57.91	73.50	158.78	47.55	158.78
United Kingdom (213)	316.30	–1.1	279.49	231.61	295.40	279.48	–1.3	3.61	319.93	283.26	233.61	297.84	283.26	325.26	231.01	232.71
USA (643)	370.37	–0.3	327.27	271.20	345.90	370.37	–0.3	1.66	371.41	328.85	271.20	345.77	371.41	379.67	254.79	259.85
Americas (827)	338.51	–0.3	299.11	247.87	316.14	285.03	–0.3	1.65	339.67	300.74	248.02	316.22	286.02	347.34	236.09	237.81
Europe (716)	276.52	–1.3	244.34	202.48	258.25	260.07	–1.2	2.47	280.24	248.13	204.63	260.90	263.35	284.44	204.71	208.16
Nordic (150)	424.30	–1.6	374.92	310.69	396.27	427.39	–1.5	1.72	431.16	381.75	314.83	401.39	433.79	437.88	291.45	298.89
Pacific Basin (861)	154.49	–0.2	136.46	113.06	144.23	114.42	–0.0	1.25	154.78	137.03	113.01	144.06	114.42	182.83	127.18	183.39
Euro-Pacific (1597)	205.40	–0.8	181.50	150.40	191.83	169.25	–0.7	1.93	207.15	183.41	151.25	192.84	170.45	208.12	173.55	182.36
North America (770)	360.88	–0.3	318.88	264.25	337.04	360.06	–0.3	1.68	362.09	320.60	264.39	337.09	361.28	369.86	248.65	253.71
Europe Ex. UK (503)	248.84	–1.4	219.88	182.21	232.40	242.68	–1.2	1.62	252.47	223.54	184.35	235.04	245.63	256.56	185.85	191.16
Pacific Ex. Japan (396)	306.87	–0.0	271.24	224.77	286.69	274.69	0.0	2.72	306.98	271.80	224.15	285.78	274.71	320.85	268.97	281.58
World Ex. US (1825)	209.02	–0.8	184.69	153.05	195.21	175.87	–0.7	1.92	210.82	186.66	153.94	196.27	177.17	212.89	176.94	186.64
World Ex. UK (2255)	255.08	–0.5	225.39	186.78	238.23	226.70	–0.4	1.60	256.43	227.04	187.24	238.73	227.66	260.18	199.58	204.50
World Ex. Japan (1983)	323.63	–0.7	285.97	236.98	302.25	314.84	–0.6	1.99	325.74	288.41	237.85	303.25	316.81	331.80	233.10	238.13
The World Index (2468)	260.35	–0.8	230.05	190.64	243.15	231.71	–0.5	1.80	261.89	231.87	191.23	243.81	232.93	265.77	202.32	207.00

Latest prices were unavailable for this edition. Markets closed 21/7/97: Belgium, Japan, Thailand.

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t up 3.8%

Kazakhstan

Six years after the collapse of the Soviet Union, the Central Asian state has made bold steps to jump-start a free market economy, but a rapid privatisation programme has met with criticism, reports **Charles Clover** and **Robert Corzine**

Guarded optimism over oil revenues

The 20th century has not been kind to Kazakhstan, the vast Central Asian state whose steppes and deserts could swallow the whole of western Europe.

In the 1930s, Stalin stripped its nomadic native people of their mobility and tied them to an alien world of bleak collective farms, where perhaps a million people, a third of the Kazakh population, perished.

The 1940s saw Kazakhstan's killing fields transformed into dumping grounds for the untrustworthy and disloyal populations of the besieged Soviet empire. Cattle cars disgorged millions of Koreans, Tartars, Kurds, Volga Germans, Georgians and Chechens, the descendants of whom make up some of the 120 distinct ethnic groups living in the country today.

The 1950s and 1960s saw huge sections of the country become testing sites for the Soviet military. Until 1989, hundreds of atmospheric and undergound nuclear explosions rocked the eastern region of Semipalatinsk, while a variety of virulent biological weapons were unleashed on islands in the Aral Sea.

At the same time, Soviet economic and agricultural planners sought to tame rivers and toy with nature in a way which has left hundreds of thousands of Kazakhs living in some of the "most polluted parts of the planet," according to the United Nations.

The Cold War also saw many Kazakhs herded into "closed cities" devoted to military production. Their economic and administrative links ran through Moscow rather than to their fellow countrymen living in less sensitive sites. At the same time, an influx of Russians dramatically tilted the ethnic balance of the country.

Throughout the post-war era Kazakhstan's economy was placed at the service of the Soviet military-industrial complex: the country became a natural resources and raw materials repository, supplying uraninm, metals and grain to factories in Russia and Ukraine.

It is not surprising, therefore, that six years after the collapse of the Soviet Union, Kazakhstan is looking forward to a new century with some relief.

For President Nursultan Nazerbayev, the paternalistic ethnic Kazakh leader who has spent the past decade easing his country out of the Russian political orbit, the dawn of a new century signals a possible era of plenty.

Western geologists think the shallow Caspian Sea waters off western Kazakhstan could hold billions of barrels of crude oil, the revenues of which could give Mr Nazerbayev the financial foundation he needs to realise his dream of turning Kazakhstan into the first Central Asian tiger economy.

Some government ministers believe Kazakh oil output could increase four-fold over the next eight years from its present level of about 26m tonnes a year.

But until then the big economic and financial challenge will be whether the country "can make it to the oil revenues," according to one western economist in Almaty. Opinions as to whether it will succeed in doing so are divided.

The state is rich in mineral and energy resources Novosti

Optimists point to positive macroeconomic developments and fundamental reforms that are being put into place at a faster pace than in Russia.

The big macroeconomic success has been monetary stability that has reined in inflation. This year, in spite of having to spend an unscheduled \$500m to clear politically sensitive pension fund arrears, the National Bank has so far stuck to a pledge made to the International Monetary Fund not to lend the government more than a nominal amount of deficit finance.

As a result, Kazakh officials expect inflation to come in under their 17 per cent target. They even predict a percentage point or so of economic growth.

But the psychological scars of the hyper-inflation that followed the collapse of the Soviet Union are still fresh in the minds of the majority of the people. Central bankers admit it will be an uphill struggle to restore public confidence in the financial sector.

And that will make it harder to wean the economy away from the inefficient barter system by which much of the country's internal trade is conducted.

But Kazakhstan has made some bold steps to jump start a free market economy. The rapid privatisation programme of recent years has been widely criticised for selling some enterprises too cheaply or without enough competition among buyers. But even the programme's critics accept that it has breathed new life into many moribund businesses, a number of which have gone to foreign buyers.

New international accounting standards, company reporting rules and legal codes have been adopted in advance of this autumn's opening of Kazakhstan's stock exchange. The airliners that for the past few years have brought large numbers of oil men to Almaty are now filling up with fund managers and their clients, eager to learn whether Kazakhstan will be the next hot emerging market.

But pessimists believe too many of the changes are still only cosmetic. They worry that implementation of many reforms are routinely stymied by bureaucrats still steeped in the old Soviet ways. Western ambassadors often have to break administrative logjams that would normally be the preserve of a junior trade attaché.

There are also fears that the government may be backtracking on earlier commitments to let market forces operate freely. New economic agencies and commissions reporting directly to the president were created earlier this year in a move which some diplomats hoped would mark an end to bureaucratic inertia.

But others see them as a way in which the government may exert even more control over the economy in a style similar to that employed by some of the southeast Asian economies so admired by Mr Nazerbayev.

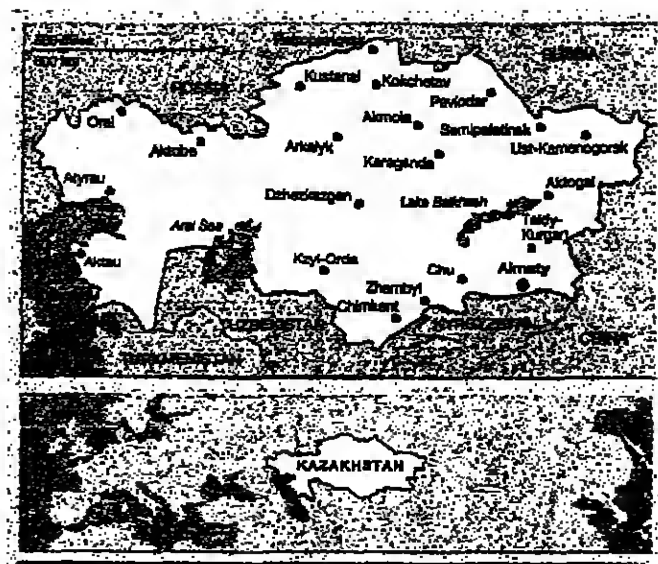
There are other warning signs. In June, the government almost fell out with the IMF over the disclosure of tax breaks to individual foreign investors. The government said it needed greater flexibility. The IMF was worried that hard-won financial transparency could disappear from view.

Kazakhstan's vulnerable geographic position between Russia and China also complicates the way business is conducted. Almaty recently awarded a Kazakh oil field to China's state petroleum company for political reasons in spite of protests from the US embassy, which was backing American competitors. Such geo-political balancing is likely to remain for some years to come, say diplomats.

There are also doubts as to whether Kazakhstan will really adopt modern ways of doing business. It is clear from a stroll down any Almaty street that the symbols of western consumerism have been embraced with a passion. Mercedes and Lexus luxury cars vie for space with old Russian Volgas and Ladas. And even small town markets are stacked with western cosmetics and other consumer goods.

But corruption is rampant at all levels of the economy, and many investors remain sceptical that fundamental changes will occur: "They opened the door and invited investors in," said one foreign businessman who runs a large industrial company. "But their attitude towards doing business has not changed very much."

But in spite of such concerns there is still an air of guarded optimism that the Kazakh economy will make it to the oil revenue, although it may be a close run thing: "They'll probably get there in spite of the way they're acting," was the verdict of one senior Almaty diplomat.



Constitution

- Legal system: On December 16 1991, the Republic of Kazakhstan became the last of the former Soviet republics, after the Soviet Union had effectively collapsed, to declare its independence. On August 30 1995, a new constitution was approved by the population in a countrywide referendum. This greatly increased the powers of the presidency and largely sidelined the legislature
- National legislature: Bicameral: 67-seat lower house (Majlis), 47-seat upper house (Senate)
- Electoral system: Universal suffrage over the age of 18 for the presidential and Majlis elections; senators are elected partly by the regions and partly by the president
- National elections: December 5 1995 (Senate) and December 9 1995 (Majlis); next elections due by 1997 (Senate), 1999 (Majlis) and 2000 (presidential)
- Head of state: The president, Nursultan Nazarbaev, elected in December 1991. No candidate was allowed to stand against Mr Nazarbaev, who gained 95% of the vote
- National government: Council of Ministers, headed by a prime minister who is named by the president. In practice, Mr Nazarbaev exercises total control
- Main political parties: Party of National Unity (PNU); Cooperative party; Democratic party; People's Congress of Kazakhstan; Rebirth party; Socialist party; Lad (Harmony, ethnic Russian party; Communist party

Sources: EBRD; EIU; Europa

■ Area: 2,717,300 sq km ■ Language: Kazak
■ Population: 16,763,000 (July 1994 official estimate)
■ Main towns and population (1993 estimate)

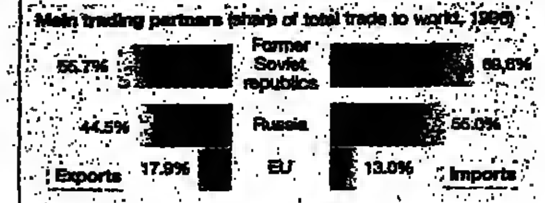
Almaty (capital)	1,176,000	Pavlodar	349,000
Karaganda	596,000	Semipalatinsk	342,000
Chimkent	404,000	Ust-Kamenogorsk	334,000

■ Currency: 1 tenge = 100 tein
Exchange rate: 1996 average 1\$ = 68 tenge 1997 av (est) 1\$ = 77 tenge

Economic summary

	1996 Estimate	1997 Projection[5]
Total GDP (\$bn)[1]	19.1	20.8
Total GDP (Tenge bn)	1,416	1,650
Real GDP growth (annual % change)	1.1	2.0
GDP per head (\$)	1,278	1,300
Inflation (annual % change in CPI, end year)	28.6	18.0
Industrial production (annual % change)	0.3	2.0
Unemployment rate (% of labour force)[2]	3.6	4.7
Money supply (annual % change)[3]	13.8	24.0
Foreign exchange reserves (\$bn)	2.01	2.10
General government balance (% of GDP)	-3.1	-3.2
External debt stock (\$bn)	3.89	4.2
Foreign direct investment (net, \$bn)	1.22	1.30
Current account balance (\$bn)	-0.8	-1.4
Merchandise exports (\$bn)[4]	5.6	6.0
Merchandise imports (\$bn)[4]	-6.0	-6.8
Trade balance (\$bn)[4]	-0.4	-0.8

Main trading partners (share of total trade to world, 1996)



1 Using end-year exchange rates
2 Official measure consisting of those registered with the Public Employment Service only
3 Broad money - end year 4 Data from Balance of Payments 5 EBRD projections

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THE ECONOMY • by Charles Clover

Payment problems still a burden

Fall-out from the country's arrears crisis remains a check on economic growth

The National Bank of Kazakhstan is full of keen academic minds – and that of Mr Uraz Dzhandosov, the bank's chairman, is by all accounts the keenest.

Tall, lanky and bespectacled, he pauses to reflect on the country's six-year odyssey of macro-economic stabilisation. "We were mostly learning by doing," he says. "Theory? Theory helps to understand the connection between the aggregates. Bnt so many things were disconnected after this high inflation. We are just coming into a period where sophisticated econometric models are useful."

This year, in spite of an unscheduled $500m expeoditure to clear pension fund arrears, the National Bank is so far sticking to the IMF decision not to lend the government more than a nominal amount of deficit finance.

Kazakh officials are expecting inflation to come in at under their target of 17 per cent and even show a percentage point or so of economic growth.

Bot reaching this stage has not been easy. The 36-year-old Mr Dzhandosov had just started working at the Natiooal Bank in January 1994 as deputy governor when the government began to put pressure on the bank to solve a crisis of inter-industry payment arrears which had reached dangerous levels. The National Bank was forced to issue a massive credit from February to April, which had the effect of donbling the money supply within a few months. Inflation soared to 1,258 per cent and the value of the tenge fell by 80 per cent.

"The practical lesson was very strong," says Mr Dzhandosov. "No one here ever wants to see that happen again . . . "When [Mr Akezhan] Kashegeldin became prime minister, we never experienced such pressure from the government again."

The next three years were "the easy part", according to a western ecooomist in Almaty. As the National Bank gradually phased out credit to the government, the money supply stabilised, as did inflation and the exchange rate.

But the psychological scars of hyper-inflation have been the hardest to heal. Kazakhstan emerged from its hyper-inflation with one of the lowest savings rates in the world, and coaxing people to save and invest again, to build a credible banking and payments system, is the toughest part of being an effective central banker

"Yoo cannot use central bank instruments to change people's psychology," Mr Dzhandosov says.

While Mr Dzhandosov speot the past three years watching the inflation rate fall, be is now starting to turn his attention to a new rate: bank loans as a perceotage of gross domestic prodnct. "We have one of the lowest rates in the world – 5 per cent," he says. "In eastern Europe the average is about 25 per ceot, while in Japan its more than 100 per cent."

The reasoo for this lack of borrowing is that the Kazakh banking sector has beeo hit especially hard by a new crisis of insolvency, ooe aspect of a broader problem of payment arrears that has been building up in the Kazakh economy ever since the last arrears problem was cleared by the National Bank in 1994 with such disastrous effects.

Mr Umirzak Shukeev, the economy minister and the youngest of Kazakhstan's wunderkind economists, was unlucky eoough to have to deal with this problem earlier this year, when the arrears hit $7bn or just under half of Kazakhstan's GDP.

"This is typical for the former Soviet Unioo," says ooe ecooomist. "But Kazakhstan has it pretty bad."

Since February, however, the arrears have stabilised, and Mr Shukeev and his colleagues are working to sort out the problem.

The Kazakh government has acted quickly and decisively to bring the arrears under control. In July, it began paying back the politically sensitive arrears to pensioners of $500m – which it funded by privatising two oil companies, netting the budget two signing bonuses of more than $300m each.

> 'If we solve the problem with a credit emission, debts will be liquidated, but this will create inflation'

Mr Shukeev and his ministry are also working on ways to cancel out cross-indebtedness, and on securitisation of overdue receivables, a method which has been used with some success in Russia. But Kazakh policy makers such as Mr Shukeev remember too well the fall-out from monetising the arrears in 1994.

"If we solve the problem with a credit emission debts will be liquidated, but this will create inflation, as in the past. It will not give any results."

Officials believed privatisation would solve the problem of inter-enterprise debts. However, those who implemented Kazakhstan's privatisation programme simply ignored the problem of payment arrears and when many of the largest enterprises were privatised, their new owners did not have to take on their debts. These debts have not disappeared, but multiplied through the economy as creditors of these enterprises are unable to pay their own debts.

"In Kazakhstan, more than 1,000 enterprises are in extremely serious condition because their assets have been frozen in a completely illegal manner," says Mr Pyotr Svoik, former chairman of Kazakhstan's Anti-Monopoly Committee.

For example, two banks which were merged earlier this year, Turan Bank and Alem Bank, had made loans to several metals plants which were then frozen, with the result that 54 per cent of Turan Bank's portfolio and nearly 80 per cent of Alem Bank's portfollo was classified as "non-standard", which means repayment is uncertain.

The merged Turan-Alem Bank is awaiting a $100m recapitalisation package from the government.

As part of the effort to deal with the debt problem, two metals plants privatised separately from their liabilities have been asked to begin paying back pre-privatisation debts. Ispat-Karmet, Kazakhstan's steel mill, and Dzhezkazgan copper smelter bought by Samsung had $200m and $180m respectively in debts which were frozen at the time of their privatisation.

Aside from banking, pensions and energy deliveries, the arrears crisis has also affected Kazakhstan's tax collection. Tax revenues were 20 per cent below plan in the first quarter of 1997 as the result of canceling out of arrears, according to Mr Mazhit Esenhaev, former head of Kazakhstan's tax committee. And in early July, another $400m in tax arrears were forgiven, according to one news report, although no officials could confirm this."OK, you know the rule," says Steve Lewarne a US aid economist. "Tax collection as a percentage of GDP sbould be at least equivalent to a country's value-added tax."

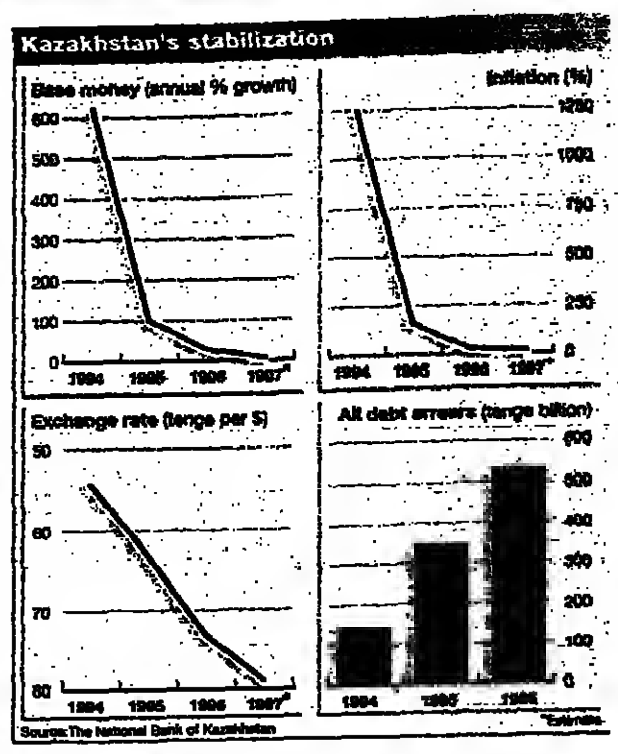
In Kazakhstan, the VAT is 20 per cent, while tax revenues account for 10 per cent of GDP. "The ecooomy is growing here, but the tax revenues are not," says another western economist in Almaty.

Mr Dzhandosov and his colleagues in the National Bank do not seem worried by the pressure this could place on their commitment to monetary stability. "Next year, we will not have any credits to the finance ministry," he says. "I do not see any possibility of another clearance operation."

In the long run, Kazakh officials are counting on increased oil exports to fund the country's recovery.

When asked about the country's oil potential, Mr Shukeev takes a deep breath and clasps his hands. "I am almost afraid to mention figures, because they will undoubtedly change. Now we extract 26m tonnes of oil a year, of which 13m tonnes are exported. By 2005, assuming we develop the offshore Caspian shelf we can expect this to increase by four times."

"The key," says one western economist in Almaty, "is making it to the oil."



PROFILE Galymzhan Zhakiyanov, the young reformer

New brand of administrators rewrite policy

A technocrat with the desire to create the first Central Asian 'tiger' economy

Mr Galymzhan Zhakiyanov, one of the new breed of young, ethnic Kazakh technocrats who in recent months have appeared at the top of recently-created economic agencies or commissions which report directly to President Nazerbayev, appears to he a cross between a criminal prosecutor and a corporate planner.

When asked about one dubious episoda in Kazakhstan's sometimes controversial privatisation programme, the chairman of the Agency for Strategic Resources Control responds by earnestly asking his visitors if they have any additional details he should know about. But he can quickly slip into the strategic planner mode and the conversation slides easily into a lengthy discourse on the pros and cons for Kazakhstan of building an oil pipeline to China.

The roles and responsibilities of the agency have yet to be fully defined, as does its eventual relationship with various ministries and Kazakh Oil, the new and potentially powerful state petroleum company. But Kazakhstan's biggest foreign exchange earners – the oil and metals sectors – fall within his strategic purview, as do key pieces of the national infrastructure, such as the electricity industry, petroleum pipelines and other natural monopolies. He is also charged with righting the wrongs of Kazakhstan's rapid drive to privatise large segments of the economy.

Few privatisation programmes in the former Soviet Union have been free from scandal or questionable behaviour on the part of some successful buyers. Kazakhstan's has been no exception. "Naturally many qnestions and problems arise as a result of privatisation," be says. But Mr Zhakiyanov is quick to stress that investigations will not be triggered just because individual companies were sold off too cheaply. "Even if we think the interests of the state were not handled very well in some privatisations or that some were sold too cheaply, if they were done according to the law then they will be respected," he says.

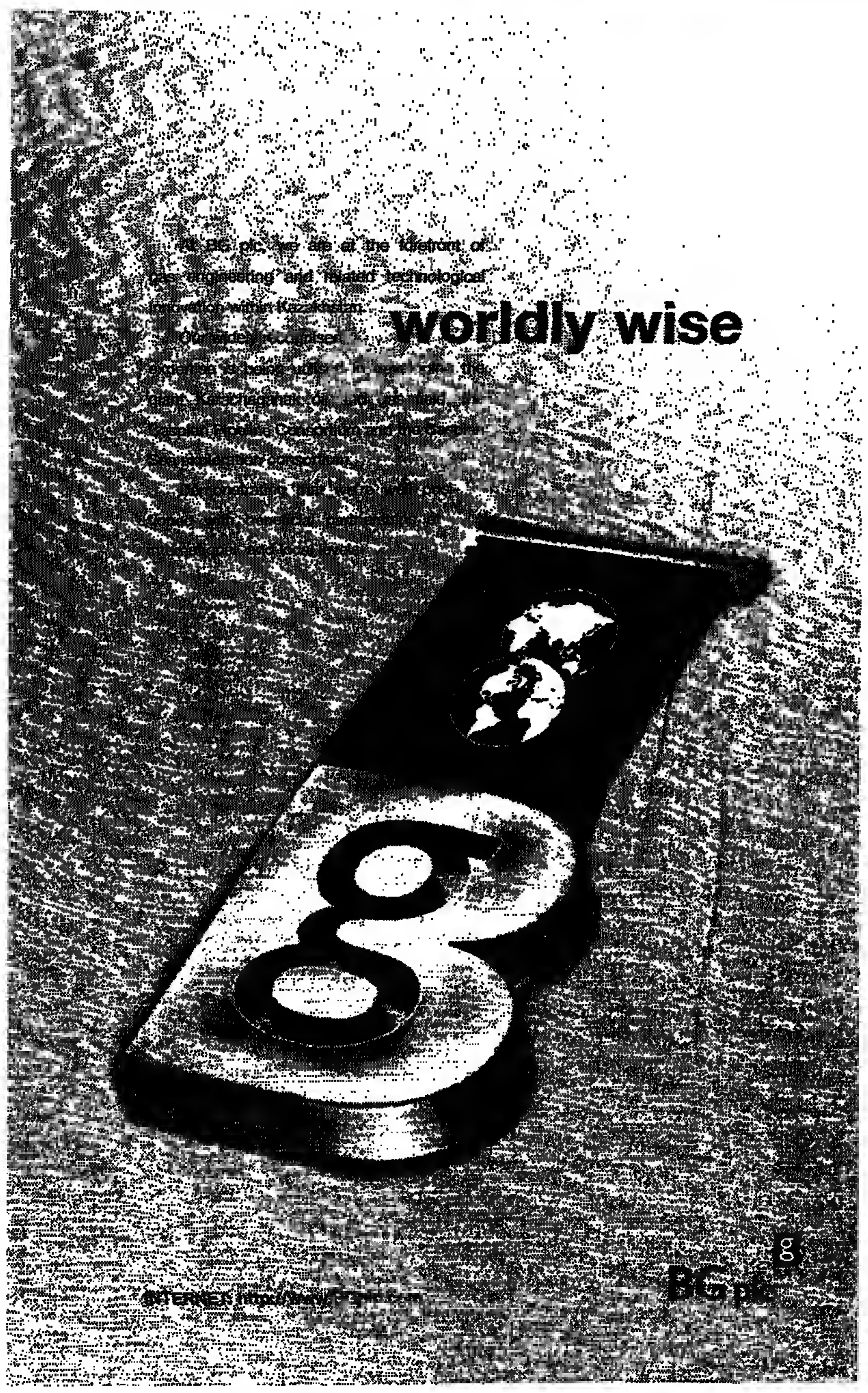
Some foreign investors in Kazakhstan, especially those in the all important energy sector, say they are confused as to what role Mr Zhakiyanov will play in specific projects. At present he can offer little insight into the issue, apart from noting that the roles of many ministries will be re-examined. "It's not very clear which functions will be done by the ministry (of energy) and which by the agency," he concedes. "This system of state power is not stabilised. . . we may have a more direct role in future."

He stresses, however, that the agency's overriding goal is to "control" the way Kazakhstan's strategic resources are developed.

That emphasis on control worries some diplomats, who see it as a possible fudge on previous free market commitments. Although Mr Zhakiyanov talks about introducing greater "transparency" in the economic and commercial roles of various state bodies, some suspect that powerful agencies such as his could become the basis for a discreet but interventionist industrial policy, a common thread that runs through the Asian "tiger" economies that so impress Mr Nazerbayev.

Others take a more benign view. They see the rise of Mr Zhakiyanov and his colleagues as part of an attempt by the president to cut through "the invisible opposition" posed by an unwieldly Soviet-era bureaucracy. A priority, they say, is the creation of an elite corps of modern-minded administrators to help realise the president's dream of creating the first Central Asian "tiger" economy.

Robert Corzine



POLITICS • by Charles Clover

A worrying emphasis on re-centralisation

Changes made to attract investors are seen to be rolling back market reform

President Nazarbaev has become increasingly focused on Asia as a model of development

The biggest political event so far this year in Kazakhstan happened in early March, when a set of sweeping decrees introduced by president Mr Nursultan Nazarbaev promised to slash the governmant by 50 per cent, dissolve seven ministries, set up four new presidential commissions, and create a national oil company.

The move looked like the political death knell for Kazakhstan's prime minister, Mr Akezhan Kashegeldin, whose government was gutted by the move while he was out of the country.

But several months after the March decrees, a senior western diplomat sums up the situation: "nothing has changed." While ministries were indeed dissolved, the former ministers are now heads of departments which occupy the same buildings, enjoying every bit of the power they used to wield. No bureaucrats are out looking for new jobs to occupy them, and the presidential commissions have kept out of decision making, at least thus far.

Prime minister Kasbegeldin, meanwhile, whose political demise seemed assured in March, looks as secure as ever in the driver's seat of his cabinet.

But observers still point to the March decrees as a subtle turning point in Kazakhstan's economic philosophy. Until then, Mr Nazarbaev had seemed content to let management of tha economy devolve to Mr Kashegeldin's government, along with the newly created private sector.

Since March, there has been a new emphasis placed on re-centralisation of long-term economic decision making, symbolised by the creation of the Strategic Planning Committee and Committee for Strategic Resources, alongside legislation providing for the empowerment of the State Investment Committee to be a "one stop sbop" for foreign investors.

The reason for the subtle shift in philosopby, according to his advisers, is that Mr Nazarbaev bas becoma increasingly focused on Asia, not only as a foreign policy priority, but as a model of development as well. "The paternalistic capitalism model appeals to him," says a senior western diplomat.

"Its true that the idea is to move in the direction of the of these South East Asian countries," said Natlonal bank chairman Mr Uraz Jandosov, "the high rate of economic growtb is the beat incentive. However, this 'model' differs substantially from country to country."

In tha end, Mr Nazarbaev may have to choose between his fondness for paternal Asian-styla capitalism and lts more liberal western counterpart.

Western economists point to post-March policies which they argue are rolling back market reform, such as centrally directing credit, characteristic of many Asian "tigers". Recently, the government provided a no-interest loan to a coal mine, and last month, issued a decree requiring all domestic banks to bold 10 per cent of their loan portfolios in small and medium-size enterprises.

Such policy questions are likely to raise eyebrows during Kazakhstan's next IMF review in November. "I thought they got rid of this stuff when they left tha Sovlat Union," says ona weatern economlst in Almaty.

And over the past faw months, argumenta have broken out over the one of the prerogatives of the State Inveatment Commlttee, which was to grant tax incentives to foreign investors in certain hard-to-privatise sectors.

"Depending on the amount of investment in a project, we give from 1 to 100 per cent tax holiday," says Mr Akhmetzhan Yesimov, chairman of the State Committee on Investment.

In April, the IMF came out against the policy of granting tax incentives, claiming it would eat into the government's finances, which were already troubled by tax arrears. In Juna, the IMF threatened to suspend the country's 3-year Extended Fund Facility granted last year unless the Kazakhs ditched the incentives.

"The IMF was worried that our tax holidays will lower our budget revennes," says Mr Yesimov. "We explained that tax holidays are only given to new production. We will create a new tax base with this law."

The IMF settled for a full accounting by the Kazakh government of all tax incentives given. According to Mr Yesimov, his committee is now considering over 200 applications by investors.

But both Kazakh and foreign experts are not just worried about tax revenues, but the lack of transparency that accompanies direct state involvement in individual deals.

"The state should not be involved in individual transactions. It sbould not be creating multiple tax regimes," says USAID economist Mr Steva Lewarne.

"Political favouritism, if it happens, is a major obstacle and threat," says Mr Jandosov. "But the IMF was objecting based on negative experiences in other countries. The idea of tax concessions was only part of this 'one stop shop' concept, and if the outcome will be negative lt must be reconsidered."

Mr Nazarbaev's firm grasp on Kazakhstan has always drawn criticism from western politicians and diplomats, but rave reviews from some businessmen, who up until now bave felt more confident knowing that Nazarbaev wields the ultimate power over the reform process. "He's somewhere in between Franco and Chile," enthuses one western businessman and ardent admirer of Mr Nazarbaev.

Investors point to stability in Kazakhstan and at tbe more than 100 laws, many designed to attract foreign investment, that Nazarbaev pushed through without parliament's input. Mr Nazarbaev has twice dissolved parliament, re-creating it each time with fewer powers. In April, be began to reform and centralise local administration by abolishing whole administrative districts and appointing new regional governors from among his coterie of insiders.

Bnt amidst Mr Nazarbaev'a impulse towards centralisation, there is growing sense that Kazakhstan cannot depend on one man to guarantee the continuity of reforms. Many foreign lawyers point out Mr Nazarbaev's fondness for issuing secret decrees. In the long term, experts argue, a system will guarantee stability, rather than a man.

"Transition economies sbould concentrate upon market fundamentals including a legal and regulatory environment tbat is transparent and predictable," says Thomas Dimitroff, a legal consultant with USAID.

Other policy decisions which worry western economists include a July decision to abolish excise taxes on wine, and a decree granting local akims the rigbts to grant tax incentives to foreign investors.

"Why whine?" says a western economist in Almaty. "Tbis raises tbe question about whether they are starting to seriously manipulate the tax regime."

Lawyers point to many lnstances where, in their eagerness to woo foreign capital, Kazakh officials bave even completely disregarded their own laws. For example, Kazakhstan's bankruptcy code was completely ignored in the privatisation of several major enterprises, where enterprise liabilities were simply split off from the assets and placed in a separate company, while the assets were privatised.

"In Kazakhstan, over 1000 enterprises are in extremely serious condltlon because their assets bave been frozen in a completely illegal manner," says Pyotr Svoik, former cbairman of Kazakbstan's Anti-Monopoly Committee.

"What they really need bere, rather than a strong personality, is a legal system that is more than a wall decoration," says one western lawyer.

KARACHAGANAK • by Robert Corzine

Kickstart for troubled field

Gazprom's demands are hindering deals at huge gas and condensate site

Karachaganak, a giant natural gas and condensate field in northern Kazakhstan, has become a byword for the complex political and commercial manoeuvring that has delayed virtually every attempt to put together big energy deals in the Caspian Sea region and central Asia.

In recent weeks, attempts have been made to breathe life into the project, on which BG of Britain and its partner Agip of Italy have lost more than $70m over the past few years. In early July the two companies and their new US partner Texaco agreed on a revised strategy which could see production of condensate – a naturally occurring gasoline – begin to reach world markets early next decade.

The main problem with developing Karachaganak lies in its position in the old Soviet energy infrastructure. Although the field is within Kazakhstan, its location close to the Russian border meant that it was always intended to be integrated with existing gas processing and pipeline facilities operated at nearby Orenburg by Gazprom, Russia's powerful gas monopoly.

Progress on Karachaganak has also been the focus of an dispute within the Kazakh government over who will be responsible for the negotiations with the international consortium on a final production sharing agreement to replace the production-sharing principles agreement signed in 1995.

But the attitude of Gazprom has been the main stumbling block, say officials and executives. It has at best been lukewarm about the western-inspired plan to develop the field, which, with reserves of about 1.33 trillion cubic metres of gas, 4.7bn barrels of condensate and 1.4bn barrels of oil, is one of the jewels of Kazakhstan's energy sector.

At one stage Gazprom agreed to take a 15 per cent stake in the consortium in a move which the western partners thought might pave the way for them to use the Russian pipeline grid to export gas. They were also heartened by the fact that Orenburg's own gas reserves were dwindling, and that it would soon need a new source of supply to keep the processing plant working at capacity. The fact that Russian prime minister Mr Viktor Chernomyrdin comes from Orenburg was seen as another positive factor.

But none of these elements seemed to sway Gazprom, and "to all practical purposes it has now left the project", said one of the consortium members.

The western companies say that although Gazprom agreed to process some of the gas as an interim measure, it made too many demands for the full project to be economically viable. "If Gazprom had come along and said to BG and Agip, 'you carry our capital costs, and in return we'll make the project work,' that would probably have been alright," said an Almaty oilman familiar with the negotiations. "But instead they wanted BG and Agip to carry them, and charge 30 per cent for processing."

The struggle with Gazprom has caused even the current, modest output targets for the field to be missed. In 1996 Karachaganak produced only 1.9bn cubic metres of natural gas and 1.8m tonnes of condensate – half of the planned output – and only a fraction of the 15-16m t/y of condensate and 20bn-22bn cubic metres of gas that it could eventually produce.

In addition revenues from the amounts that are now processed at Orenburg and sent into the Russian oil and gas system have proved far below expectations. Under the current formula Kazakhstan was due to receive 20-30 cents on every revenue dollar, but officials say that "at best" it has been receiving half of that. "The Russians are barely letting us breathe," said one official.

A workable deal with Gazprom remains the best option for Karachaganak's long-term future, say those involved in the project. But Kazakh President Nursultan Nazerbayev has put pressure on the companies to come up with an interim solution that would at least allow the first phases of a full development plan to proceed.

It will require the construction of limited processing facilities at Karachaganak to lessen the stranglehold of Gazprom. But it also depends on finding "a bankable solution" to transporting the liquid condensate and agreement on what to do with the gas produced at Karachaganak.

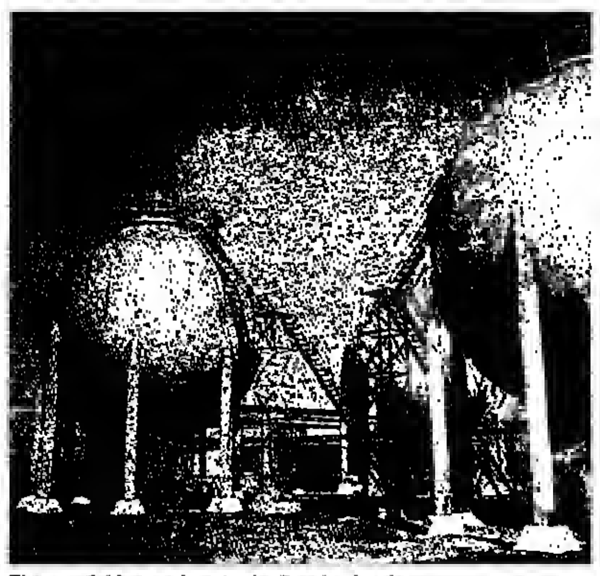
Both Agip and BG have capacity in the western-funded Caspian Pipeline Consortium project that will be built over the next few years to link the Tengiz oil field in western Kazakhstan with the Russian Black Sea port of Novorossiysk. Building a direct link to CPC for the condensate would allow the Karachaganak partners to bypass the Russian pipeline system which has proved so troublesome.

But the gas remains a problem. "The options are that you can either dispose of it in Kazakhstan or Russia or reinject it," said one consortium official. "The debate is about the exact amount we need to reinject."

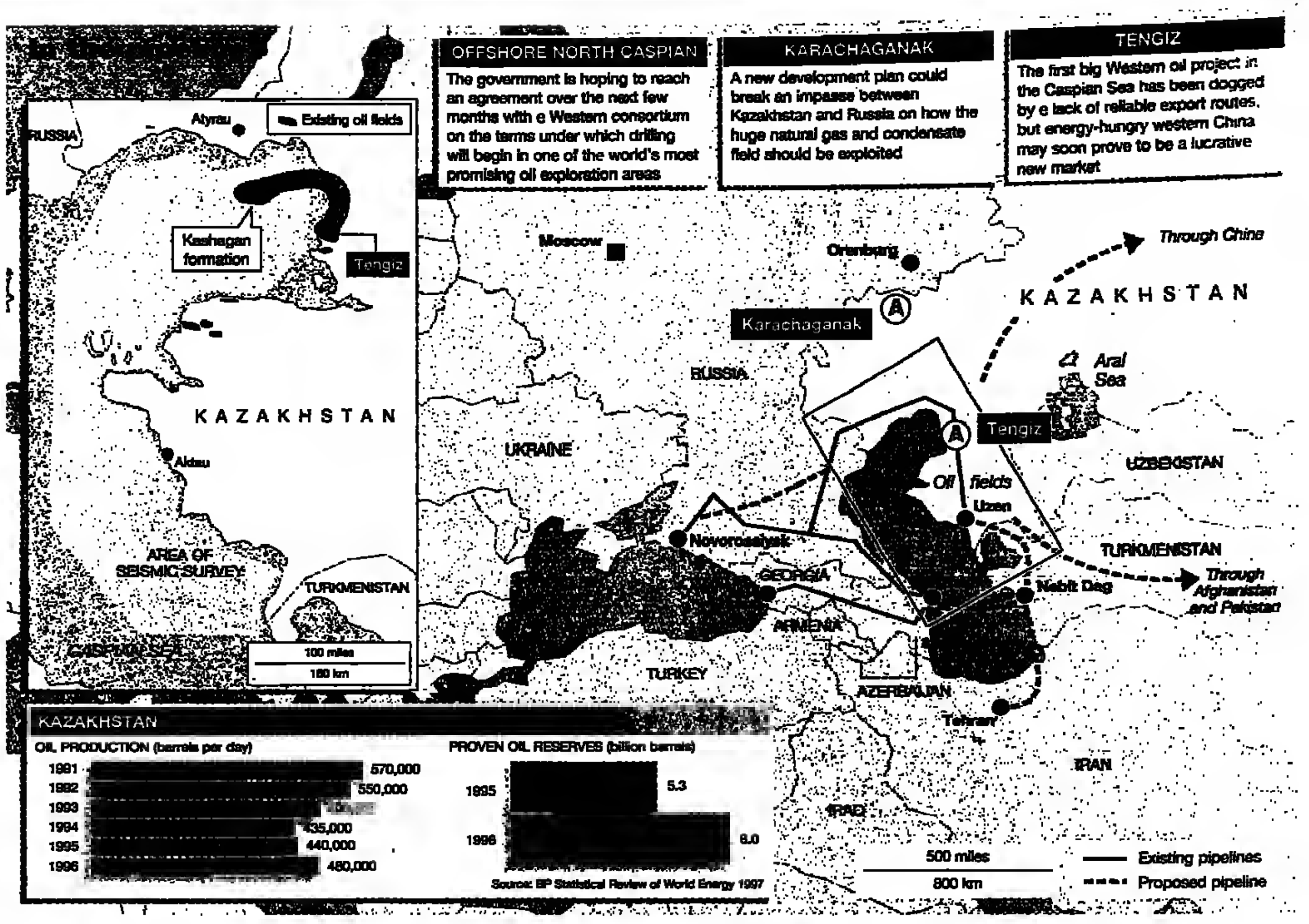
The gas could be used for power generation and other industrial uses in northern Kazakhstan, but the amounts needed will depend on the extent to which the government is willing to see natural gas displace Kazakh-mined coal. The role of Lukoil, which has assumed Gazprom's place as the Russian member of the Karachaganak consortium, could also prove decisive in making the project work. Western executives say Lukoil, Russia's biggest oil company, may be able to help move "liquids over and above" those that can be accommodated in the CPC system. Various swap arrangements within Russia may also be possible that could boost export volumes.

The western partners also hope Lukoil will prove more adept at influencing Gazprom to reach a long-term accommodation. But how that might be achieved remains unclear, even to those who might normally be expected to know the details of such dealings.

"When the Russian ambassador came up to me at a party and asked me what was going on between Lukoil and Gazprom at Karachaganak, it made me feel better for not knowing myself," said Mr David Skeels, the BG representative in Almaty.



The gas fields are close to the Russian border *Novosti, London*



THE LURE OF THE EAST • by Robert Corzine

China, a vast potential market for Kazakh oil

Debate under way on the economic viability of an oil export line to the Asia-Pacific region

The lure of the east is growing stronger for Kazakhstan's oil industry, even though China's energy-hungry main industrial centres lie many thousands of kilometres away from the big oil fields around the Caspian Sea.

Over the past few months a series of events have brought closer the prospect that Kazakhstan could carve out a potentially lucrative role as an oil supplier to its giant eastern neighbour. But serious economic, political and commercial questions remain as to how quickly and to what extent Kazakhstan can, or should, tilt its oil industry to the east.

It was the decison in June by the Kazakh government to award the China National Petroleum Company a 60 per cent stake in the Aktyubinsk oil field for $325m in cash and a promise to invest a further $4bn over 20 years that triggered the current wave of interest in China as a potential market for Kazakh oil.

Much of the planned investment is to be spent on a proposed pipeline linking the Aktyubinsk field in western Kazakhstan to China.

Many western oil men in Almaty are deeply dubious about the economic viability of a full-scale export link to China's Pacific coast.

"I'm personally sceptical about the eastern route," says one executive involved in the seven company consortium to explore offshore in the Caspian Sea. "If the Chinese found lots of oil in the Tarim Basin (which borders eastern Kazakhstan), then it's just about feasible. Otherwise it's stretching economic reality."

Not all western oilmen share that view, however. The chief executive of one of the consortium's members thinks it is inevitable that China will eventually turn out to be one of the main markets for Kazakh oil.

Not surprisingly, that is also the opinion of many Kazakh officials, although they too have doubts about the economic viability of a full-scale export line to the Asia-Pacific region.

"A pipeline all the way to the Yellow Sea may not be economically very successful," says Mr Galymzhan Zhakiyanov, chairman of the government's Agency for Strategic Resources Control. A senior government adviser agrees: "It will only work if the Chinese government subsidises their part of it."

But as Mr Zhakiyanov points out, "China itself is a market." The question is whether Chinese demand is strong enough to attract significant volumes of Kazakh crude across the vast distances of central Asia. Chevron, the operator of Kazakhstan's giant Tengiz field, plans to test demand this summer by sending its first cargo of crude to China via rail.

> **Many western oil men are deeply dubious about an eastern oil route**

Mr Phil Meek, the company's senior representative in Kazakhstan, says there were signs that western China, and in particular the refinery at Urumchi, could absorb "substantial volumes" of Tengiz crude. The company is studying a plan to build a storage terminal on the Kazakh border, which could be supplied by shuttle trains from Tengiz. Chinese trains, which operate on a different gauge, could then pick up the crude on the other side.

Kazakh officials are also studying more modest pipeline proposals than a full export line to the Pacific region. But as Mr Kaynulla Kasenov, president of Kazakhstan's national oil pipeline company points out, even the more modest proposals will depend on the ability of China to find the funding: "If we had just got Hong Kong, then we would fund it ourselves."

Export pipelines from Central Asia are not just commercial projects, however. Politics may prove to be the decisive factor.

"Nazerbayev is trying like mad to break the levers of power that Russia has over Kazakhstan," says a western diplomat in Almaty. But the award of the Aktyubinsk field to CNPC and talk that a tender for a second field, Uzen, may also be awarded to China, has already aroused strong feelings among some of Kazakhstan's western supporters.

"This leadership is mindful of its place geo-politically and geographically," says another western diplomat.

"President Nazerbayev has a valid security concern. But 'feeding the tiger' may not be the right way to go. Appeasement is not a way to solve problems."

But Kazakh officials are adamant that a pipeline to China is a higher political priority than a link that would go to Azerbaijan on the western Caspian before proceeding on to Turkey, a route that the US and other western governments with interests in the area seem to prefer.

The Kazakhs also believe that an eastern route opens a new commercial dimension to their oil trade.

"Pipelines through Russia or Azerbaijan are just different ways to go to the same market," says Mr Zhakiyanov. "A line to China would go to a completely new market."

They also see an eastern pipeline route producing additional benefits to the domestic economy. The Caspian Pipeline Consortium, which will carry Kazakh crude from Tengiz and other fields to Novorossiysk on Russia's Black Sea coast, will run only a short distance through Kazakhstan. Most of the tariffs will go to Russia.

An eastern route from the Caspian oil fields would pass through the breadth of Kazakhstan. Not only would the country earn more tariffs, say officials, but more jobs would be created and there would be the possibility of building a new refinery, fed by the line.

THE NORTH CASPIAN SHELF • by Robert Corzine

Pressure for agreement mounts

Failure to reach a deal could set the project back by a year, say industry executives

Pressure is building for the early conclusion of a production-sharing agreement between the Kazakhstan government and seven foreign oil companies on the terms under which one of the world's most promising – but still unproven – offshore oil provinces will be explored and developed.

Failure to reach an agreement on how to proceed with the initial drilling in the offshore areas of the North Caspian could set the project back by a full year, say oil company executives. They need to begin technical preparations in the next few months to meet a limited "weather window" next year to begin drilling in the shallow waters of the environmentally sensitive area.

Talks aimed at breaking the deadlock in the negotiations recently resumed in New York. Both sides say they are keen to secure an early agreement. But those familiar with the negotiations say the bargaining positions also appear to have hardened. And there has been increased sniping between the two sides over the way the negotiations have been organised.

At stake are the first 12 exploration blocks to be awarded in a 100,000 square kilometre offshore area over which the seven companies, now known as the North Caspian project, recently concluded a $350m seismic survey. It revealed between 50 and 100 possible oil-bearing prospects, just one of which could hold two to 12 times as much oil as Tengiz, Kazakhstan's largest existing oil field, say officials.

"It's really big," said a government adviser in describing the potential of the area some experts claim could rival the reserves of Kuwait. But the members of the North Caspian project, while admitting the geology is almost perfect for the discovery of big reservoirs, say such claims are unwarranted given that the first well has yet to be drilled.

The mismatch of perceptions explains in part why an agreement has proved so elusive. The companies say the Kazakhs have failed to understand the exploration risk associated with the project. They also say that the economics of developing fields in the area may not be as attractive as the Kazakhs claim. Both sides have put forward differing estimates of the reserve base, recoverable reserves, recovery rates per wall and other fundamental information that will affect the overall financial formula governing the returns to the companies.

More than half a dozen factors will affect the formula, including the volume of oil produced and its quality and costs. The government wants 80 per cent of the "divisible income" from the project, with a 20 per cent "return target" for the companies. There are also differences over the pace at which the exploration programme and any resulting development will be carried out. "They [the companies] want loose controls," says one official, while the government is demanding a strict timetable.

The economic importance of the project is such that seemingly minor slippages in the early stages could result in big delays in later phases, pushing back even further the date at which the government would begin to see significant revenues from the project.

The government is also concerned over what the companies might do if exploration successes coincide with a dip in world oil prices. Officials fear that under such circumstances the companies might let development plans slip in order to avoid the prospect of sending yet more oil to a weak market.

The government's target date for first production is 2004. "We don't want to hear 2010," says one official. It also wants to reach plateau production within 10 years, rather than the 12-14 proposed by the companies.

But to meet that target there must be significant progress on a number of fronts, including proving a big enough reserve base to justify a new export pipeline. In order to meet the government's timetable exploration efforts over the next three years will need to discover sufficient reserves to justify the start of preliminary engineering for both the offshore platforms, onshore processing facilities and export pipeline by 2000. Final go ahead for all three would take place in 2001, with the project up and running by 2004.

Meanwhile, the government is considering whether to broaden the initial 12-block exploration area to cover an additional two blocks which have been reserved for the Kazakh Oil, the new state petroleum company. "Fourteen blocks will probably be developed as a group," said one Almaty businessman familiar with the government's thinking on the issue. That would allow Kazakhstan to bring Russian oil companies – probably Lukoil and/or Rosneft – into the consortium to help ensure that Moscow does not raise any political obstacles to the project. "It's only natural they will get involved," said the businessman, although "the question of where they squeeze into the project" has yet to be resolved.

GOLD MINING • by Sander Thoenes

Confidence has been damaged

Scandals cause companies to become more cautious over investment

Gold mining has never been a neat and tidy business, but the lurid scandals that have hit the industry of late have made even Kazakstan's tremendous gold resources lose their lustre. An exploration hoax, a hijacked tender and a shareholder fight have given investors cold feet.

Kazakh officials and gold miners were innocent in the largest scandal to rock the gold industry – the Bre-X hoax in Indonesia. Along with poor gold prices, the revelation that the Bre-X exploration data had been faked has been a key factor in driving down share prices for gold mining companies.

Smaller mining companies, who run most of the exploration and production projects in Kazakstan, have been worst hit.

"Bre-X has made it much more difficult for junior companies to pick up exploration cash in lesser known parts of the world," says Mr Richard Wilkins, commercial director of Oxus Resources, an exploration company with several sites in Kazakstan, Uzbekistan and Tajikistan.

A quarter of the $1bn invested in central Asian gold projects since the break-up of the Soviet Union has been generated directly from the Vancouver and Toronto stock exchanges, where Bre-X shares were listed.

But Kazakh officials and Placer Dome, Canada's second largest gold group, are very much to blame for the Vasilkovskoye saga, arguably the largest mining scandal to hit the former Soviet Union.

Placer elbowed out competitors, including Dominion Mining, to take a stake in the giant Vasilkovskoye deposit in 1995. Dominion had spent several million dollars exploring and proving reserves at Vasilkovskoye, and thought it had exclusive rights for exploitation. Not only was the project snatched away from Dominion, but the government used its data when the project was put out to tender. Placer then deserted the project on finding that the deposit would be expensive to develop.

Placer is keeping the sore open by suing to retrieve a $35m refundable deposit that was due for repayment by July 4 last year.

Kazakstan had planned to have a new investor by then to replace and repay Placer, but a highly publicised tender, designed to restore trust in Kazakstan's government, failed to attract substantial bids. In January the government turned down the winning bid from a consortium of Teck Corporation of Canada and First Dynasty, a venture of Canadian mining entrepreneur Mr Robert Friedland.

Mr Norman Keevil, Teck president, says the fall in the gold price caused the government to pull back in the hope of getting better offers when the price improved. None have come in as yet but a leading gold company is said to be interested in the project.

Playing for time, the government has started separate arbitration proceedings against Placer, claiming damagee arising from alleged 'breaches of agreement'. It claims Placer Dome and its local partner said they would spend $270m to develop a mine at Vasilkovskoye.

Placer says it was made clear in the original agreement that development of a mine would take place only after due diligence established the project would be economically viable.

Bakyrchik, the largest existing gold mina in Kazakstan, is in tha midst of a shareholder brawl.

Bakyrchik, which is estimated to hold 10.5m troy ounces of gold at an average grade of 6.94 grammes per tonne, has been run by a joint venture since 1993.

Innovative gold processing technology failed to deliver, forcing investors to shut down and build a more traditional plant.

Shares in Bakyrchik Gold, the mine's original investor, crashed to 5 per cent of their highest value, making potential investors think twice before pntting casb into another gold venture in Kazakstan. Shares lost almost half their value in one day earlier this month when Bakyrchik announced a refinancing package under which Bakyrchik Gold would lose control of the gold mine to Indochina Goldfield, another venture of Mr Friedland.

The refinancing deal may yet be torpedoed later this year by Bakyrchik shareholders, who feel Indochina has pushed down the share price to take over the mine cheaply. They are looking for another financer hut nobody bas publicly expressed interest.

Undeterred by recent problems, leading gold mining companies are hoping to explore more of Kazakhstan's deserts

Indochina Goldfields offered to pay $65m to cancel Bakyrchik's deht, pay the next tranche of its fee to the government and provide immediate working capital requirements.

Indochina also guaranteed a further $45m loan to help finance future working capital. In return, Indochina would increase its stake in the Bakyrchik mine from 15 to 80 per cent. Bakyrchik Gold'e bolding would be cut from 85 to 20 per cent. Indochina also holds 29.9 per cent of Bakyrchik Gold and has provided its key executives.

Bakyrchik would be the first large gold mine in the former Soviet Union to come under full control of foreign investors.

"This deal has completely devalued the company," one sbarebolder complained. "The Bakyrchik board has put up no credible fight. Minority sbarebolders are being totally screwed."

But tbe news is not all bad. Undeterred by scandals and low gold prices, some big mining companies are looking to Kazakstan'e deserts.

Santa Fe Pacific Gold, now part of Newmont Mining of tbe US, recently lifted its stake in Kazakstan's Sharaltyn exploration project to 100 per cent from 50 per cent at a price of $3.05m. The project covers a 7.5m acre licence area in north eastern Kazakstan. Newmont would not say whicb other projects it is looking at in Kazakstan.

LaSource SAS of France, 60 per cent owned by Normandy Mining Group of Australia, last month bought 21 per cent of Oxus Resources, a small prodnction and exploration company with several territories in Kazakstan. It also started exploring on its own.

Mr Mike Nossal, new business manager for LaSource, credits Kazakhstan's far reaching privatization of state gold mining and exploration companies, as well as a wholesale of state-beld stakes in numerous sites, for drawing in the bigger companies. "That's something the other countries of Central Asia have not yet broached," says Mr Nossal. Kyrgyzstan or Uzhekistan still demand 50 per cent or more of any gold venture.

An added boon to smaller gold mining companies is that government officials have been rescinding numerous defunct exploration licenses, handed out to well connected bnt poor local officials in the early days of Kazakstan's independence. This has made many of tbe more promising sites available. Kazakstan has tried to compensate for the loss of direct revenue with taxes, to the annoyance of some ventures. The government has atso receotty separated exploration licenses from production, forcing investors to take risks on exploration before they know the tax pressure on the field's development. A new natural resources tax law, which would provide some security, has been long in the making.

"It's nice to know in advance wbat the royalties will he," Mr Wilkins says. "Then we can plan ahead."

It will take years for the Bre-X and Vasilkovskoye scandals to fade from memory, bowever, and until then, few gold miners will be planning projects in Kazakhstan.

FISCAL TRANSPARENCY • by Charles Clover and Robert Corzine

Problems on disclosure

Prospects of more signature bonuses for oil projects mean the issue is unlikely to fade

Transparency has become one of the most important issues Kazakhstan faces as it attempts to cope with the pressures of transition to a capitalist economy and a more open, democratic society.

While considerably more open and transparent than most of its counterparts in central Asia, many processes ramain virtually blocked from view in Kazakhstan, such as government finance.

Last year, Mobil oil corporation concluded a deal with Kazakhstan for 25 per cent of the Tengiz oil field for which it agreed to pay $1.1bn over a period of several years. The precise amount that Mobil paid last year was $500m, according to observers. Keeping track of snch an amount of money, equivalent to 3 per cent of Kazakhstan's gross domestic prodnct, should be easy, but in practice it has proved impossible to pinpoint where it has gone.

The money, according to some officials, did not make it into the Kazakh hudget.

Last year, the capital revennes item in the government budget, which is whera privatisation revenues are recorded, totalled $460m from the sale of 4,000 enterprises. These incinded a 40 per cent stake in Zhekazkantsvetmet copper plant, the Vasilkovskoye gold mine, 15 coal mines, Yuzhneftegas oil company and the Chimkent refinery. These transactions alone should have totalled more than $350m in up-front signing bonuses, not leaving mnch room for a spare $500m.

When asked where the money might have gone, a Mobil representative said: "Any questions having to do with the Kazakh budget, we just can't comment." Mobil also would not comment on how much of the sum was in fact paid in 1996, nor to whom it was paid.

Sources close to the government say the Mohil money "has been accounted for", though they could not explain precisely bow.

"That money went to the oil ministry," said a senior western diplomat.

Repeated requests for clarification from officials at the former oil ministry, now state oil company Kazakoil, or from prime minister'e office, or from the Kazakh financa ministry, were rebuffed.

Mr Galymzhan Jakionov, head of the watchdog Committee for Strategic Resources, described the situation as "a prohlem", hut would not comment further.

This is not the first time that a large chunk of government revennes has gone missing in Kazakhstan. Last November, a scandal hit the newspapers wben Mr Sarybai Kalmurzaev, cbairman of the State Property Committee, accnsed the oil ministry of stealing $500m in oil revennes.

"That's a different $500m," said Mr Jakionov, wben asked wbetber this was the same as the Mobil money. The scandal died down after two weeks, wben Mr Kalmurzaev did not produce documentation of his accnsation. When asked whether the scandal was ever resolved, bowever, Mr Jakionov said: "No, it wasn't. It's no secret that oil revennes are stolen bere."

For the Kazakh government, deflecting criticisms such as the charge by one western lawyer in Almaty that it is "the higgest kleptocracy since the Ceaucescus", would be easier if the process of making decisions were more open and transparent and officials more accountable.

Some western officials see the issue of the Mobil money as a bellwether for a more generat attitude towards financial transparency.

They point to the fact that a break with IMF was only narrowly averted in June wben tbe government finally agreed at tbe last minnte to disclose the size of tax hreaks being offered to some foreigo investors.

Government advisers say snch concerns are overhlown. They claim the government needs flexibility on issues such as taxation in order to secure the inward investment needed to huild central Asia's first tiger economy. But with the prospect of more large signature bonuses for oil projects in the offing, the transparency issne is unlikely to fade from view.

CAPITAL MARKETS • by Charles Clover

Hedging bets on new exchange

Some speculators have injected much needed cash but left local officials wary

Hedge fund managers, the shock troops of global capitalism, have begun descending from charter airplanes into the streets of Almaty, Kazakhstan, in anticipation of opening day on the country's new stock exchange in September.

In between power lunches at the Hyatt and the distractions of the Petroleum discotheque, the fund managers meet with patient Kazakh officials who instruct them in boring detail about things like listing requirements and regulation. Then it's back on the aircraft to other capitalist hotspots like Romania or Thailand.

"They know that Kazakhstan starts with a 'K'," says a western economist wryly. "In general, though, they like to speak Spanish and go to the beach."

A United States hedge funder in his twenties, who conducts himself with the subtlety of a jet bomber taking off, was undeterred by Almaty's lack of a beach and salsa music. "This place has home-run potential," he enthuses.

Tomorrow, the young hedge funder will be on the aircraft to Bucharest, and then its back to New York. "The best gains in emerging markets are at the beginning. Just look at Turkey in 1989 . . . Thailand. Romania has grown six times."

This is, strictly speaking, not the beginning for Kazakhstan, however. In fact, the country had three stock exchanges until just a few months ago. "We had three atock exchanges but no stock market," says Mr Grigory Marchenko, head of the Kazakh government's Committee for Securities.

"Everyone thought that a stock market was the same as e stock exchange, that if we had a building with e name-plate and some stocks, people would trade" says Mr Marchenko. "What we lacked was legal infrastructure and transparency."

In September, Almaty's new stock exchange will open, featuring three tiers of trading and plenty of complicated multilateral recommendations and G-30 criteria. Simnltaneously, the government will sell 5-10 per cent shares in several "blue chip" enterprises which have been partially privatised - the state telecom, oil companies, and metals plants.

Most Kazakh companies are significantly undervalued compared to western companies based on criteria such as dollars of market capitalisation per barrel of reserves for oil companies, revenues per line for telecoms, or market capitalisation per kilowatt hour for electric utilities.

But investors, aside from knowing that there is value to be identified, also want a strong international political commitment to the country they are investing in. "It's really an alignment-of-the-stars issue," says the hedge funder from the US.

"Kenya could go down the tubes and no one would care. But Romania is going to come out of it because its in Europe. In Mexico, there's also a safety net. It's on the border with the US," he explains. "In Kazakhstan, you know things are gonna go wrong, but it'll be okay because everyone's on board."

By "everyone" he means the United States, which has declared the region's oil reserves to be of strategic value and signed a security pact with the Kazakh government in exchange for their decision to get rid of Soviet-era nuclear weapons in 1993.

Aside from the crowd of speculators, many serious investors are interested in Kazakhstan, especially from Asia. "The strong US political commitment has impressed Asian investors" says Mr Ascanio Martinotti of the Regent Pacific Fund, one of the largest portfolio investors in Russia. "We see a lot of investors interest from Moslem countries, such as Malaysia and Indonesia," says Mr Martinotti. "The friendship between Mahathir [the Malaysian president] and Nazarbaev [the Kazakh president] has impressed investors."

While doing their best to welcome foreign investors, Kazakh officials are a little wary of the hedge funds, which they regard as somewhat of a necessary evil.

"We don't want too much hot money," says Mr Marchenko. However, "if someone is willing to invest, yon shouldn't beat them away with a stick. I just don't want the National Bank to have too many problems with the exchange rate."

"When portfolio capital moves, it moves in a big way," says a western economist, who added that investment and disinvestment by foreigners would place pressure on the country's foreign currency reserves as it attempted to maintain a stable exchange rate.

"Financial markets are basically like a massive world government," says the hedge funder, trying to keep the phenomenon in perspective.

Kazakh officials are aware that by fully integrating into world financial markets, they may give up some of their own autonomy to conduct monetary and fiscal policy. "The only problem we might face," says Mr Marchenko, placing his fingertips together reflectively and glancing towards heaven. "is huge inflows of foreign capital."

The Kazakhstan Hotel and others in Almaty are welcoming increasing numbers of business travellers

PROFILE The anti-nuclear campaigner

The half-life of a nation

Russia tested its mighty arsenal – then removed all data that showed what happened

The chain-smoking middle-aged man sitting in an Almaty restaurant did little to hide his bitterness at the way Russian nuclear weapons specialists departed from the old Soviet atomic test site at Semipalatinsk in north-eastern Kazakhstan in 1993.

"They were barbarians," says Mr Evgeny Tchaikovsky, an engineer who worked on nuclear engines for rockets and spacecraft for many years, and who went on to become an official in the Kazakh defense ministry.

"They burned down the palace of culture, and they burned or took with them much of the scientific information on 30 years of testing, even though it was of no use to them. The greatest part of the archives were destroyed," he adds.

But the loss of such data was not of mere academic or historical significance. Local politicians "woke up only slowly" to the fact that Kazakhstan, whose vast, deserts and steppes had been subjected to hundreds of nuclear tests, had little idea of the extent or levels of radioactive waste to the sprawling test site.

In June, the arrival in Almaty of a highly specialised US Navy Orion reconnaissance aircraft to condnct an aerial survey of the test site provoked outrage from Moscow. "It was so totally Cold War," says one bemused western diplomat in Almaty in dismissing Russian charges that the aircraft, painted a particularly garish orange, was on a spy mission.

Mr Tchaikovsky, who is also a former mayor of Semipalatinsk, the main town in the military test area, said Russian scientists had declined invitations to take part in the aerial mission, planning for which began three years ago. "For Russia the arrival of the plane was not news," he says. "Russia has maps showing the nuclear waste. Kazakhstan does not."

Data acquired by the aircraft's sophisticated sensors should remedy that. But Mr Tchaikovsky fears that too little will be done to ensure adequate monitoring of the test sites.

Unlike many western campaigners for nuclear disarmament, he believes some good could come from the creation of an international nuclear deterrance force based on the existing arsenals of the main nuclear powers. And he remains an advocate of civil nuclear power.

But Mr Tchaikovsky warns that Kazakhstan is likely to be damaged further from the final 20 years of "scientifically unnecessary" nuclear testing during the Cold War. People in both the West and the former Soviet Union may want to sweep the issue under the carpet, he says, "but it's impossible to deceive nature. Sooner or later the radioactive waste under the earth will show itself. The problem of nuclear tests has not been solved."

Robert Corzine

FOREIGN RELATIONS • by Robert Corzine

China a counter-weight to Russia's influence

Proposed oil pipelines 'go to the heart of the issue of territorial integrity'

The evolution of Kazakhstan's foreign relations over the past year can be traced through the proposed oil pipeline routes drawn on the regional maps that senior officials seem able to conjure up at a moment's notice.

"Pipelines go to the heart of the issue of territorial integrity and independence," says an adviser to President Nursultan Nazerbaev.

Russia, still the dominant economic and military force in the area, is not surprisingly the destination and main commercial beneficiary of the first big export pipeline from Kazakhstan, the final agreement on which was reached earlier this year. Although Kazakh officials are relieved that a deal on the Caspian Pipeline Consortium project has removed a long-festering diplomatic and commercial sore with Russia, the fact that the bulk of the jobs and pipeline tariffs will accrue to Russia remains an irritant.

In recent months the importance of China as a counter-weight to Moscow's influence has become clearer: China's National Petroleum Company clinched a recent oil deal in large part because of its explicit commitment to build an eastern pipeline that may eventually lessen the country's economic dependence on Russie. Officials in Almaty say the political importance of the commitment should not be underestimated, even though the economics of such a project look doubtful.

In summing up the present foreign policy priorities of Mr Nazerbaev, one western diplomat in Almaty said: "He is trying to shake the country away from Russia without being held hostage to the Chinese."

Some observers have been impressed by the recent shift in Kazakhstan's stance towards Russia. They say Mr Nazarbaev's government has taken an altogether tougher line on sensitive issues: "Kazakhstan has really stood up for itself lately," said one senior western envoy. "It has said, wait a second, we're going to do what is in our interests. It's very interesting. Moscow, for you to tell us your view, but here's what we can agree to."

Almaty has even surprised other Caspian Sea countries in its firm opposition to Russia over Moscow's view that there should be some joint development of offshore oil areas in the Caspian. They had assumed that Kazakhstan would eventually fall in line with Moscow's views on the issue given the long border between the two and the big ethnic Russian population in northern Kazakhstan. "But they were very tough with Russia on the Caspian demarcation issue," said one admiring diplomat in Almaty.

Mr Nazerbaev suggests such developments are part of a re-balancing of relations between the two countries. "Sometimes there is a difference of opinion between Kazakhstan and Russia. For example, it concerns the status of the Caspian Sea and the solving of financial and other questions. I think it is normal," he says.

Some observers believe Mr Nazerbaev may have been emboldened by Russia's

> 'Kazakhstan has really stood up for itself lately'

recent military defeat in Chechnya, which highlighted the limits to which Moscow can exert influence on the periphery of the old Soviet Union.

But his balancing act between Kazakhstan's two big neighbours can sometimes put pressure on wider relations with western powers. The decision to award the Aktyuhinsk oil field to China over competing proposals from US companies raised the hackles of US diplomats who had lobbied strongly on behalf of the American oil groups. The Kazakhs are said to have later explained the decision in "purely geopolitical terms," according to one diplomat.

Although relations with the US are stronger than with any other western country, there is a discernible divide between Almaty and Washington as to how extensive that relationship is and whether it includes a specific commitment by Washington to guarantee Kazakhstan's security. Western envoys talk about a fundamental "misunderstanding" between the two sides.

Mr Nazerbaev is said to want a strong relationship," with Washington, says one presidential adviser. "It should be the relationship of an ally" which can serve as a bulwark against Islamic fundamentalism and terrorism in an unstable, strategic region.

But the US rejects a Kazakh view that previous agreements over the removal of nuclear weapons from the area meant that the US had effectively extended a security umbrella uver the country. "They refuse to accept that the US has not provided any guarantees," says one senior diplomat.

The issue is likely to be one of the main topics of discussion when Mr Nazerbaev visits Washington later this year. But it is unclear how much leverage he will have in persuading the US to make its commitment to Kazakhstan more explicit. "We should have kept just one nuclear weapon" for exactly such as eventuality, said one presidential aide.

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PRIVATISATION • by Charles Clover

Moving along the fast track

While the sell-off has provided capital, the long-term effects remain unclear

Kazakhstan is coming to the end of one of the fastest privatisatioo programmes in history. In less than three years, the Kazakh government has privatised 70 per cent of its economy, leaving only 400 enterprises of the 6,000 in the plan.

The pressure driving privatisation was partly ideological and partly financial, with a need to inject liquidity into the economy. "Privatisation revenues have consistently made up for the shortfall in tax collection over 1996 and the first part of 1997," says a western economist in Almaty.

Meanwhile, foreign investors often took on the role played by banks in other countries, supplying the liquidity that a bealthy banking system would have otherwise provided.

The transition to a private economy has been far from seamless, bowever, and the process of privatisation has been criticised as opaque, with sale prices that were ton low resulting in the sale of a large cbunk of Kazakhstan's enterprises to foreign companies thet are virtually unknown.

Mr Galymzhan Jakionov, head of the watchdog Committee on Strategic Resources, cites the sale of the Chimkent refinery – the tender for which was won by UK-based Vitol – as en example. "There was a tender. There had to be at least two firms. In reality, this didn't happen, and only one firm participated. From our point of view, this was not a tender," says Mr Jakionov.

Nevertheless, the immediate effects of privatisation on the Kazakh economy are impressive. In many cases, seemingly dead factories are now prodncing at capacity and paying their wages, pensions and taxes on time.

Worldwide steel exports

Observers point to the privatisation of the country's steel mill as an example. While UK-based Ispat was given a good deal on AO Karmet – purchasing it without assuming any of the factory's $200m liabilities – the plant is now producing 3m tonnes a year and exporting all over the world.

"Ispat-Karmet is intending to get $200m credit in western markets withont any guarantees from the government. If it gets the credit, it will prove thet we took ths right step," says Mr Umirzak Shukeev, Kazakhstan's economy minister. Nevertheless, many of would-be investors have been disappointed by a privatisation process they see as insider-driven.

One of the main problems is a lack of coherent legislation. The law on privatisation, for example, is only four pages long. "You need a process," says Mr Alexander Lesser, a US lawyer who bas worked on many Kazakh privatisations. "There is no way that a four-page document can handle every contingency that would arise."

Mr Lesser says, for example, that if a firm wins a tender, the winner must sign a contract with the government within 10 days – yet there is no explanation of what happens if this is not done. "You wind up in this grey period where the results of the tender can be overturned at any time and the deposit, which can be millions of dollars, is forfeited," says Mr Lesser.

When Access Industries, a British Virgin Islands-based company, won a tender for two power stations in the Pavlodar region, the regional government instead signed a contract with CCL Oil, a company which did not participate in the tender. CCL Oil operates the region's oil refinery.

Britisb Virgin Islands-based Essex Indnstries, which won a tender for the Atyrau oil refinery in March, had it revoked in April wben it was given to Kazakoil, the state oil company. Asea Brown Boveri, the Swiss-Swedish engineering group, won a tender to manage the country's electric grid in April, but the results were overturned in May.

"Sometimes it can be more dangerous to win a tender than to lose," says Mr Lesser.

Kazakh euthorities admit that the process could have gone more smoothly, "Some people say [the privatisation programme] was not transparent, but we were losing time, we bad to decide quickly," says Mr Shukeev.

Mr Sbukeev defends the low price of many of the enterprises that were sold. "The goal is not to sell at a high price in privatisation," he says. "The main goal is to find an effective owner of an enterprise."

But whils privatisation has provided Kazakh enterprises with working capital and wages, the long-term implications of the strategy are harder justify. For foreign companies, Kazakh assets represented a chance to vertically integrate. But it is unclear bow this will affect Kazakhstan in the future.

Power equipment suppliers

Before the results of their concession for Kazakhstan's high-voltage grid were overturned, representatives of power equipment manufacturer ABB made clear thet they wanted to use their partnership with German grid operator Veag to monopolise the building of power stations in Kazakhstan.

Ths two companies had previously been accused of anti-competitive practices by General Electric of ths US when Veag awarded ABB the contract to build generating equipment in Germany in 1995. As a result, Germany agreed to reform its procurement practices.

"It is normal for equipment manufacturers in the power industry to take equity in projects in order to be the builders," says an investment banker in New York. "But taking over the whole electric grid is a bit extreme."

On the upstream side of vertical integration strategies, three Russia-oriented todustrial groups wound op with the Ekibastus coal pits, which account for 70 per cent of Kazakhstan's coal production. These are the Japan Chrome, part of the Trans-World Group that controls one-third of Russian aluminium smelting, Access Industries, part of an industrial group that owns the Uralsk aluminium smelter and the Vladimir tractor factory in Russia, and United Energy Systems, the Russian electric ntility.

Trans-World Group, which dominates Russian aluminium, bas – in addition to coal – managed to secure bauxite mines, an alumina refinery, ferrochrome plants, iron mines and a power station. "Trans-World is completely integrated, from coal and ore to finished aluminium," says a competitor in the Russian metals industry.

Using a similar strategy, Korea's Samsung has been buying copper mines and smelters, with a view to supplying its electronics industry with raw materials.

These vertical integration strategies may in tbe long-term have a barmful effect on tbe country's finances. Collecting taxes from vertically integrated companies has always proved e beadache for countries in the past, as integration usually involves transfer pricing in order to disguise profits made in the bost country.

"None of these companies is ever going to pay taxes," says e western economist in Almaty. "This all looks great now," says another western analyst. "But eventually, Kazakhstan will begin to understand why everyone in the third-world nationalised in the 1970s."

PROFILE Trans-World

The new monopoly

A reinvented Soviet military industrial complex is taking shape

In the 1980s, the Pavlodar aluminium refinery in northero Kazakhstan produced 10 per cent of the Soviet Union'a aluminium, which it sent it to the Bratsk smelter in Russia, where it was made into aluminum for Russia's set of factories which supplied the Red Army.

But the collapse of the Soviet Union at the end of 1991, combined with an 80 per cent cut in Russia's defence spending in 1992, pushed the industry into crisis.

The Soviet monopoly, which had financed the smelters' purchases of raw materials, provided working capital and handled exports, disappeared at the end of 1991. Suddenly, Bratsk couldn't pay Pavlodar which couldn't pay its own suppliers. Pavlodar's output fell by 60 per cent.

"Basically, everything in the Soviet Union was part of the military industrial complex," says Mr David Reuben, president of the London-based Trans-World Group, which has been trading Russian aluminum for 20 years.

"With the collapse of the military complex – and therefore demand – all the plants were looking at elimination of their traditional markets and insolvency."

In 1995, the Trans-World Group purchased Pavlodar, providing finance so the factory could pay for inputs and wages. But while Trans-World had started out as e simpls trading company, it by that time controlled one-third of Russian aluminum smelting, including the Bratsk and Sayansk aluminum smelters. Pavlodar's aluminium began once again to flow to Trans-World controlled smelter at Bratsk.

Privatisation has, for many industries like Pavlodar, simply cemented the old economic relations which existed under communism, where Kazakhstan's factories and mines supplied Russia with cheap raw materials.

Finance and markets in the former Soviet Union were only available to industrial groups such as Trans-World, who controlled not only the processing facilities, but the banks which now play the role of the old Soviet buying monopoly. Trans-World's bank is Eurasiabank, one of the most active foreign banks in Kazakhstan because it functions as a treasury for the Trans-World assets.

With large stakes in the Bratsk and Sayansk aluminum smelters, critics say Trans-World and other companies like it operating in Kazakhstan are simply the reinvented Soviet military industrial complex in western corporate form.

"Our large enterprises had their own peculiarities," says Kazakh economy minister Mr Umirzak Shukeev.

"They were company towns with big problems. They were parts of 'technological chains' which ended in Russia and the Ukraine which is wby these enterprises were of no particular interest for investors."

Trans-World has faced repeated accusations in Kazakhstan of underpaying for its interests in Kazakh assets "by a factor of about 10", said one western lawyer in Almaty.

"It is absolutely not true," says Mr Reuben. "We paid among the highest prices for our investments following privatisation." Trans-World had acquired the shares of the plants after privatisation and after the plants had been rejected by many potential buyers

The company paid $20m for Pavlodar, plus an investment pledge of $123m, and took on undisclosed debts.

Last year, Pavlodar produced 1m tons of aluminium, worth $200/ton on world markets. With revenues of perhaps $150m-$200m, profits in 1996 may have exceeded the initial investment in purchasing the plant.

Since 1994, Trans-World has bought np other Kazakh assets, in addition to Pavlodar, including bauxite mines, e ferrochrome plant, iron ore mines, coal pits and a 2400 megawatt power station.

Kazakh officials argue that the goal of privatisation was more important than revenne.

"From my point of view, the goal is not to sell at a high price in privatisation," says Mr Shukeev. "The main goal is to find an effective owner of an enterprise, to make it work, pay wages and taxes and sell output on the world market."

Trans-World appears to pays wages and pensions on time, which makes them uniqne in an economy burdened by a crisis of payment arrears. Recently, it announced plans to build a $1bn aluminum smelter in Kazakhstan, built by US engineering company Bechtel, to partially replace Russian processing facilities at Bratsk.

"Our intentions for Pavlodar to increase production and build an aluminum smelter is a bold one. It is probably the first greenfield project of this size in the CIS," says Mr Reuben "rather than acquiring significant assets cheaply, we spent a great deal improving these assets to make them viable."

President Nursultan Nazarbaev applauded the decision. "Kazakhstan must achieve a high degree of processing of its resources and not just export raw materials," be says.

Charles Clover

FOREIGN IMPACT ON THE REGIONS • by Robert Corzine

Partners with new goals

A privatised oil company reforms a system shaped by the Soviet experience

It is not only Kazakhstan's central government that is counting on energy revenues to underpin the economy in the next decade. Oil and natural gas producing regions also find their futures inextricably linked to the success of the sector in general, and to specific partnersbips between foreign oil companies and former Kazakh state organisations in particular.

One of the more ambitious attempts to integrate a foreign operation with an existing Kazakh entity is taking place in Kyzylorda, the environmentally hard-hit region that includes the rapidly receding Aral Sea. Last November, Hurricane Hydrocarbons, a small Calgary-based Canadian company, bought 89.5 per cent of Yuzneftegaz, the local oil company and the most important commercial entity in the region, accounting for about 80 per cent of economic ectivity and about 70 per cent of government revenues.

Tbe merging of the two into a single company is not only a test of Kazakhstan's sometimes controversial privatisation process. The way in which the restructuring is carried out will also affect the more than 5,500 Kazakh employees of the group. As the only large body of workers in the region who are paid regularly, they havs a big influence on local business activity.

Kyzylorda exhibits many of the same problems that bsve constrained the broader Kazakh economy since the end of communism. The collapse of credit and the old Soviet trading patterns left many compsnies without working capital and markets.

Wege, tax and pension arrears have built up as debtors failed to pay for goods delivered. To survive, companies have been forced to turn to bartering; the goods they acquired often being distributed to employees in lieu of cash wages.

It is this system that Hurricane bopes to break, through its influence on the region's economy. "The size of the organisation we'vs acquired makes people listen to us," says Mr Patrick Hanna, the chief financial officer of Hurricane Kumkol, the Kazakh subsidiary.

The phased payment of wage arrears and back payments lo creditors, combined with current purchases of goods and services, is one of the biggest sources of cash injection into the regional economy.

Given its size and influence, Hurricane sees its own corporate restructuring as part of the broader economic reforms in the area. It has two main concerns. The first is to focus the company on its core oil and gas prodnction business without causing widespread social dislocation through mass layoffs or quick disposals of peripheral activities.

In addition to the main oil production unit, the company's industrial sctlvities include road building and construction. More peripheral divisions include large-scale farming, meat processing, dairying and retailing. It even owns the local professional football team and s 10,000 seat stadium.

But Hurricane's corporate restructuring is nnlikely to succsed if the rigidities of the present economic system remain. Although it still takas part in dubious old-style economic arrangements, such as providing farms with fuel at sowing and harvesting time in exchange for vague promises of future payment, Hurricane is lobbying strongly for specific financial concessions from the government for doing so. In the case of the "farm fotures" programme, it wants tax credits, even though such a concession will hit the local tax base.

Hurricane also sees the transition of the region to a cash economy and the rehabilitation of public faith in the banking system as important to its long-term goal of reducing the dependence of both its employees and the region on the company.

But shedding the cocoon of social benefits provided by Soviet-style corporations will not be easy. Many Hurricane employees were promised apartments before last year's privatisation. The new management bas agreed to resume construction on some unfinished blocks, but Mr Hanna says that is not a lasting solution. "Our preference is to pay cash so they can take care of their own social affairs," he says.

But simply putting more cash into the economy is not enough if the local population remains distrustful of tbs banking eystem. Mr Hanna believes the first step to overcoming that distrust is to install an automatic teller machine in its Kyzylorda headquarters building.

Although it is not forcing its employees to take part in the scbeme, the company is boping that the ebility to draw cash at any time will prove attractive to its workers, just as it finds the prospect of ridding itself of time-consuming cash payments commercially appealing. But the success of the scheme is not just dependent on the local bank earning the trust of the Hurricane workforce. The company has also had to extract promises from the government that employee bank accounts will stay confidential, a move which is anathema to the traditionally activist tax authorities of the region.

Mr Berdibek Saparbaev, the "Akim" or governor of the region, says be has been able to work through most problems with Hurricane. Bnt one issue has marred tbe Canadian company's arrival in the remote region. The regional government played no part in the original privatisation, so the government removed tbe requirement that Hurricane pay pension and tax debts to the regional government.

"The state forgave the pension fund debts, but it burt them badly," admits Mr Hanna. He says the big weakness of the privatisation was that the "monsy didn't flow to this area".

The test of the future relationship between them will be whether the money from increased production at the company's Kumkol field manages to make an impact in Kyzylorda.

AGRICULTURE • by Charles Clover

A legacy of failed experimentation

Problems beset the introduction of privatisation, forcing a rethink on policy

In the 1960s, Kazakhstan became part of the Soviet Union's "Virgin Lands" programme. Train loads of starry-eyed communist volunteers were deposited in the middle of the steppe to form collective farms and halt the haemorrhage of Soviet hard currency spent on grain imports. But frequent droughts, a short growing season, and an unexpectedly rapid decline in fertility led to its failure.

The legacy of the experiment lives on in Kazakhstan, however, where nearly half of the population are still connected to agriculture, and the support of Kazakhstan's *farmers is a crucial* political goal.

"Forty-four per cent of our population live in rural areas, and that's why we have to conduct policies of protection, and also develop agricultural products and special programmes with the help of state finance policy," says economy minister Mr Umirzak Shukeev.

Farming in Kazakhstan remains unprofitable, and most farms are burdened with debts which they can't possibly repay. Last spring, the *government* outraged foreign oil companies by requiring them to provida free diesel fuel to farmers. The oil companies responded by not paying taxes on the requisitioned fuel.

Making agriculture self-sustaining and profitable *is* a goal of the Kazakh government as well as many of the multi-lateral agencies.

But whila agricultural *reform* tends to focus on land reform and privatisation as the cure to the economic ills of the sector, the *main hindrance* of this process is that no one particularly wants the land because it is not profitable. "When my collective *farm* was privatised, everyone wanted the animals and the trucks," says one farmer. "No one wanted the land."

Rather than making agriculture private as a way to making it profitable, some experts are now convinced that agriculture must be profitable first, and private second. As with most post-Soviet agriculture, the prob*lems are prices* and *the* structure of production, not land reform.

"Farmers don't own *storage* so they are in a weak bargaining position after harvest," says Mr Staven Gross, a consultant with the ministry of agriculture. Storing grain for six months costs 12 to 15 per cent, or three times the rate in the UK. "Silos charging these rates are practically empty most of the time," says Mr Gross. "You would expect a price war to fill them."

Mr Gross is trying to start that price war. He heads "Agro-inform," started jointly by the Kazakh ministry of agriculture and the European Union's Tacis programme which publishas prices at mills and silos.

According to Mr Gross, grain storage prices belie a broader problem. "Across the whole agricultural processing sector, plants are working at a factor of capacity and paying low prices and delaying payments for inputs from farmers."

While it is too early to tell whether the information programme is succeeding, even "perfect information" in the jargon of economic theory may not be anough to increase returns to farmers.

"It's hard to tell if the mill operatora and silo owners colluda," saya Mr Gross. "Every mill would have reported to someone in this building," he adds, referring to the ministry of agriculture. "All of them go to the same conferences, thay all know each other."

If information fails to jump-start competition, the farmers' only option may be to "vertically integrate" into processing, just as western farmers use co-operatively owned processing facilities. It would, however, be expensive to initiate.

The agriculture ministry is also hampered by a conflict of interest. "It is the single largest buyer of whaat in Kazakhstan," says Mr Gross.

"Tha disconnection between agricultural production and processing is very *characteristic of Soviet and* post-Soviet agriculture," says a Moscow-based expert. "That relationship still exists in the private sector."

CASE STUDY Robert Corzine meets a farming family in Kazakhstan's Alatau mountains

Independence but no power

Farmers do not regret the demise of communism but they do miss electricity

Some farmers welcome the new autonomy, but many would prefer a return to a time when everyone had jobs — Novosti, London

The horses moved quickly down a steep hillside in Kazakhstan's Alatau mountains, *their hoof beats* muffled by a thick carpet of blue geraniums and flowering wild herbs.

In their wake came Mr Nurlan Asgenov, a 37-year-old former collective farmer and proud owner of the horses, an especially hardy cross between traditional Kazakh ponies and a breed from the River Don region in Ukraine.

"This new life is wonderful," he said, giving a thumbs up sign in response to a question about how he and *his extended* family of parents, three brothers and their children have fared since the demise of communism.

"Before we depended on the directors of the collective farm and other bosses," he said. "We had to kill cows and sheep whenever they came. Now I'm the owner of my life. No one orders me about."

The lives of the Nurlan family revolve around the seasons. The adults live in the mountains year-round, but in the winter the children are sent to relatives in the valley far below to attend school.

Autumn is the busiest time to sell the sheep, cattle and horses that provide the bulk of the family's income. It is also when they buy most of their staples for the year, such as flour, sugar and rice. "We generally have no money," says Mr Nurlan, but when necessary the family sells "milk, meat and potatoes. That's how we live."

When asked whether any big worries have marred his new life, Mr Nurlan could name only two: the Belgians and the wolves. Tractabel, the Belgian utility company *which recently bought* Kazakhstan's first privatised regional electricity company, had cut off supplies to his remote family farmhouse.

"The Belgians say we didn't pay," complained Nurlan. "Wa want to pay, but we don't know how to pay or where to pay."

As for the wolves, Nurlan believes wars in other central Asian states are driving them out of their *traditional* habitats and into the peaceful Alatau mountains. He and his brothers killed 12 last winter: "Our shepherds cry in winter because the wolves kill the sheep."

Wolves were also on the minds of two shepherds in a nearby yurt, the felt-covered structure which for centuries has been the standard accommodation for central Asian nomads. But so too were regrets that the safe, easy existence under communism had ended.

The men still belonged to a collective farm located 200 kilometres away and had brought their herd to the Alatau mountains to graze for the summer. Sitting on their haunches at the entrance to the yurt they admitted that their lives were different from Nurlan's; they still had a boss they reported to at the collective farm. And although the two men could understand Mr Nurlan's philosophy that "if you work hard your life is good," it did not seem to be a fate they relished. "Wa haven't heard of any good reforms," they said. "There is nothing stable in our lives." The wife of one of the shepherds was more blunt: "We just want to return to the past when everyone had jobs and life was easy."